

2010 - 0171

PAKISTAN ENHANCED PARTNERSHIP AGREEMENT

BETWEEN THE

UNITED STATES OF AMERICA

AND THE

ISLAMIC REPUBLIC OF PAKISTAN

SEPTEMBER 30, 2010

(initials)

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PAKISTAN ENHANCED PARTNERSHIP AGREEMENT

This Pakistan Enhanced Partnership Agreement (this "Agreement") is entered into between the Government of the Islamic Republic of Pakistan, acting through the Economic Affairs Division (EAD) of the Ministry of Economic Affairs and Statistics (hereinafter referred to as the "Grantee"), and the Government of the United States of America, acting through the United States Agency for International Development ("USAID", and together with the Grantee, each a "Party" and collectively, the "Parties").

Whereas, the people of the Islamic Republic of Pakistan and the people of the United States of America share a long history of friendship and comity, and the interests of both nations are well-served by strengthening and deepening this friendship;

Whereas, both the Government of the Islamic Republic of Pakistan and the Government of the United States of America recognize the enormous economic and social challenges facing the people of Pakistan today in the wake of the historic and disastrous floods which have hit Pakistan over the last two months;

Whereas, the Government of the Islamic Republic of Pakistan and the Government of the United States of America seek to work together to build mutual trust and confidence by actively and consistently pursuing a sustained, long-term, multifaceted relationship between the two countries, devoted to strengthening the mutual security, stability, and prosperity of both countries;

Whereas, the Government of the Islamic Republic of Pakistan and the Government of the United States of America seek to strengthen Pakistan's instruments and systems of good governance and sound socio-economic growth; and

Whereas, the Governments of the Islamic Republic of Pakistan and the Government of the United States of America seek to promote sustainable long-term development and infrastructure programs, including in healthcare, education, water management, and energy programs, in all areas of Pakistan, that are sustained and supported by each successive democratic government in Pakistan.

Therefore, the Grantee and USAID agree to the following:

Article 1. Purpose

The purpose of this Agreement is to set out the understanding of the Parties in connection with the Objectives (defined below) for the provision of development assistance to Pakistan.

Article 2. Objectives and Amplified Descriptions

Section 2.1 Objectives

In order to further the foreign assistance objectives of peace and security, just and democratic governance, economic growth, social sector support and humanitarian assistance, articulated by the Government of the United States of America under the Strategic Framework

for United States Foreign Assistance, the Parties agree to work together by focusing on activities in the manner described in Annex 1, Amplified Descriptions. The objectives and program areas described in Annex 1, Amplified Descriptions are collectively referred to as the "Objective."

Section 2.2 Annex 1, Amplified Descriptions

Annex 1, attached, is subdivided into parts containing Amplified Descriptions for the sector or other area (geographic or otherwise) primarily targeted therein. Each amplifies the Objective and describes the program areas and identifies some of the indicators that will be used to measure the progress and achievement in each of the program areas in the identified area. Within the limits of the definition of the objective set forth in Section 2.1, the Amplified Descriptions set forth in Annex 1 may be changed by written agreement of the Authorized Representatives of the Parties, or written agreement of USAID's Authorized Representative and Additional Representatives of the Grantee with respect to activities relevant to the Additional Representative's function, without formal amendment of this Agreement. An amendment to the Agreement will be required to add or remove any new Amplified Descriptions.

Article 3. Contributions of the Parties

Section 3.1 USAID Contribution

(a) The Grant: To help achieve the objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed Eight Hundred Thirty-One Million Three Hundred and Thirty-Five Thousand United States ("U.S.") dollars (U.S.\$831,335,000) (the "Grant").

(b) Total Estimated USAID Contribution: The United States, through enactment of the United States Partnerships with Pakistan Act of 2009 has established \$7.5 billion to be implemented through various agencies of the United States Government (USG). USAID's total estimated contribution under this Agreement to achievement of the Objective will be such sum as shall be agreed in subsequent amendments to this Agreement, which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(c) Excess Funds: If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a). Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in Section 3.1(b).

(d) Uses of the Grant: The Parties agree that the USAID contribution may be disbursed by USAID through contracts, grants, cooperative agreements, and other implementing instruments with third parties, whether public or private, or, in some cases through the provision of grants, budget support or other government-to-government mechanisms made available to the Grantee, as USAID deems appropriate to follow approved USG regulations and to achieve the mutually agreed upon Objective as described in Annex 1 of this Agreement or described in program implementation letters issued in accordance with section A.2 of Annex 2 of this Agreement. All

grants, budget support or other government-to-government mechanisms made available to the Grantee will be made in accordance with USAID's policies and procedures, using Grant funds, through program implementation letters with the Grantee and must conform to U.S. Government policies in Pakistan. All other awards will be made in accordance with USAID's policies and procedures, using Grant funds, without further documentation between USAID and the Grantee.

Section 3.2 Grantee Contribution

The Grantee's contribution, based on USAID's contribution in Section 3.1(a), will not be less than the equivalent of one-third of the portion of the Grant that is used to support activities that directly benefit the Grantee or over which the Grantee exercises direct and substantial involvement, provided that such amount may be reduced with the written consent of USAID. The Grantee's contribution, in local currency or otherwise, may include either cash or in-kind contributions or both. The dollar equivalent amount of the Grantee's contribution shall be set forth in a program implementation letter and shall be subsequently included in the Illustrative Financial Plan included in Annex 1 of this Agreement. The amount of the Grantee's contribution shall be adjusted upon any increase in the amount of the Grant set forth in Section 3.1(a), in accordance with the formula described in the first sentence of this paragraph, and the precise amount of such adjustment shall be indicated in a program implementation letter. The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and in-kind contributions.

Article 4. Completion Date

(a) The completion date, which is September 30, 2015, or such other date as both Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the completion date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, are to be received by USAID no later than nine (9) months following the completion date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in program implementation letters, were not received before the expiration of such period.

Article 5. Conditions to Disbursements

Section 5.1 First Disbursement under the Grant

Prior to the first disbursement (of any type) under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

- (a) An opinion of counsel acceptable to USAID that (i) this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, (ii) this Agreement constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms, and (iii) all internal actions and approvals necessary to give effect to this Agreement have been obtained by or on behalf of the Grantee; and
- (b) A signed statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, which designates by name and title any Additional Representatives, as defined in Section 7.2.

Section 5.2 Terminal Dates for Conditions

The terminal date for meeting the conditions specified in Section 5.1 is 90 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

Section 5.3 Conditions for Disbursements to the Grantee

No grants, budget support or other government-to-government assistance may be made available to the Grantee until the U.S. Secretary of State provides the certification required under the Economic Support Fund account heading of the Department of State, Foreign Operations, and Related Program Appropriations Act, 2010 (Public Law 111-117) relating to funds for government-to-government assistance to Pakistan. In addition, for the purposes of grants, budget support or other disbursements to the Grantee, USAID will set forth additional conditions precedent, terms and conditions and other requirements and restrictions in a program implementation letter. Such conditions may include, without limitation, the establishment of a separate dollar account and special local currency account, the satisfaction of certain policy objectives and goals, the establishment of financial management and procurement mechanisms within the respective implementing agency of the Government of Pakistan or the agreement on jointly-established programming goals, as to be further described in subsequent program implementation letters.

Article 6. Special Covenants

The Grantee, hereby covenants and agrees to issue, renew and/or extend free of charge and in a timely manner all official permits, visas, exemptions and any other permissions (including all approvals as may be required from time to time to ensure full access to information, project sites and relevant offices) for the Applicable Persons (as defined below) carrying out activities financed by USAID under this Agreement (collectively, the "Required Documents"). For purposes of this provision, Applicable Persons is defined as: (1) USAID employees, and (2) employees and consultants of any contractors, grantees and other organizations carrying out activities financed by USAID under this Agreement. The Grantee also hereby covenants and agrees to issue, renew and/or extend free of charge and in a timely manner all official permits, visas, exemptions and any other permissions that are required, or become required, in order for such Applicable Persons and their dependent family members to legally reside in the Islamic Republic of Pakistan.

Article 7. Miscellaneous

Section 7.1 Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax, cable or electronic mail (e-mail), and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Director
USAID Mission to Pakistan
American Embassy
Diplomatic Enclave
Ramna 5, Islamabad, Pakistan

Telefax: 051-287-0310

E-mail: infopakistan@usaid.gov

To the Grantee:

Mail address:
Secretary
Ministry of Economic Affairs and Statistics
(Economic Affairs Division)
Government of Pakistan
Block "C", Pakistan Secretariat
Islamabad, Pakistan

Telefax: 051-920-5327, 051-920-3258 or
051-920-1629

E-mail: secretary@ead.gov.pk

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2 Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Secretary of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, and USAID will be represented by the individual holding or acting in the office of Director of the USAID Mission to Pakistan (each an "Authorized Representative" and together, the "Authorized Representatives"). Each of the Authorized Representatives, by written notice, may designate additional representatives ("Additional Representatives") for any purpose relating to the regions or Program Area(s) relevant to their function, other than signing formal amendments to this Agreement.

The names and titles of the Additional Representatives of the Grantee will be provided through a signed statement to USAID from the Authorized Representative of the Grantee, which designates by name and title any Additional Representative and when appropriate the specific corresponding program areas, identified by "Parts 1-9" in this annex 1. USAID may accept as duly authorized any instrument signed by such Additional Representatives (or any individuals subsequent holding or acting in the office of such representatives, or individuals designated by such representatives to sign implementation letters on their behalf) in accordance with this paragraph, until receipt of written notice of revocation of their authority.

Section 7.3 Standard Provisions Annex

A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

Section 7.4 Other Agreements

Nothing in this Agreement shall be construed as derogating from any rights, privileges and immunities accorded to USAID, USAID's implementing partners (including contractors and grantees), and/or their respective employees and consultants pursuant to any other agreement between the Islamic Republic of Pakistan and the United States of America.

IN WITNESS WHEREOF, the United States of America and the Islamic Republic of Pakistan, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

ISLAMIC REPUBLIC OF PAKISTAN

By: 

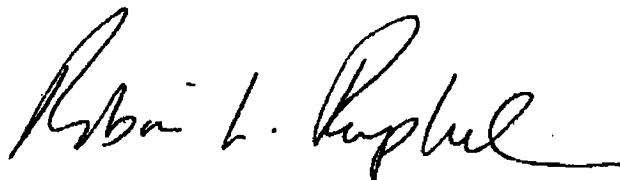
Name: Robert J. Wilson

Title: Director, USAID Mission to
Pakistan

By: 

Name: Sibtain Fazal Hashmi

Title: Secretary Economic Affairs
Division, Government of Pakistan,
Islamabad



Fiscal Data:

1) ODN: 391-PEPA-10-DG

ES/2010/2011

PA: A07	PE: A029	\$150,000
	PE: A030	\$300,000
	PE: A031	\$610,000
	PE: A032	\$250,000
PA: A08	PE: A034	\$8,306,000
	PE: A036	\$24,840,462
	PE: A037	\$557,000
PA: A09	PE: A041	\$9,775,000
	PE: A042	\$5,225,000
PA: A10	PE: A044	\$36,693,710
	PE: A045	\$5,075,000
PA: A26	PE: A140	\$240,000
PA: A27	PE: A141	<u>\$1,660,000</u>
		\$93,682,172

2) ODN: 391-PEPA-10-HPN

ES/2010/2011

PA: A11	PE: A047	\$3,390,434
	PE: A048	\$2,856,000
	PE: A051	\$10,469,859
	PE: A052	\$61,128,904
	PE: A053	\$12,863,000
	PE: A054	\$2,515,000
PA: A27	PE: A141	\$1,200,000
		GH-C-AIDS /2010/2011
PA: A11	PE: A047	\$2,000,000
		GH-C /2010/2011
PA: A11	PE: A048	\$5,272,000
	PE: A052	\$6,435,000
	PE: A142	\$2,600,000
PA: A27	PE: A141	\$65,000
		GH-C -POP/2010/2011
PA: A11	PE: A053	\$9,500,000
PA: A27	PE: A141	<u>\$500,000</u>
		\$120,795,197

3) ODN: 391-PEPA-10-EDU

ES/2010/2011

PA: A12	PE: A055	\$142,859,359
	PE: A056	\$13,600,000
PA: A26	PE: A140	\$300,000
PA: A27	PE: A141	<u>\$1,700,000</u>
		\$158,459,359

4) ODN: 391-PEPA-10-EG

ES/2010/2011

PA: A15	PE: A063	\$7,749,317
PA: A16	PE: A066	\$15,840,000
	PE: A067	\$10,165,000
PA: A17	PE: A071	\$700,000
PA: A19	PE: A076	\$11,907,352
	PE: A077	\$74,390,943
PA: A20	PE: A082	\$7,870,000
PA: A26	PE: A140	\$1,100,000
PA: A27	PE: A141	<u>\$2,500,000</u>
		\$132,222,612

5) ODN: 391-PEPA-10-AGR

ES/2010/2011

PA: A18	PE: A073	\$2,000,000
	PE: A074	\$44,341,613
PA: A26	PE: A140	\$1,300,000
PA: A27	PE: A141	<u>\$1,300,000</u>
		\$48,941,613

6) ODN: 391-PEPA-10-ENR

ES/2010/2011

PA: A17	PE: A069	\$40,746,413
PA: A26	PE: A140	\$400,000
PA: A27	PE: A141	<u>\$700,000</u>
		\$41,846,413

7) ODN: 391-PEPA-10-FATA

ES/2010/2011

PA: A08	PE: A035	\$5,000,000
	PE: A036	\$10,000,000
PA: A10	PE: A045	\$8,752,600
PA: A12	PE: A055	\$5,000,000
PA: A17	PE: A071	\$58,000,000
PA: A20	PE: A082	\$12,000,000
PA: A26	PE: A140	\$80,000
PA: A27	PE: A141	<u>\$7,130,000</u>
		\$105,962,600

(8) ODN: 391-PEPA-10-KPK

ES/2010/2011

PA: A07	PE: A031	\$7,000,000
PA: A08	PE: A036	\$7,500,000
PA: A12	PE: A055	\$28,000,000
PA: A19	PE: A077	\$13,400,000
PA: A20	PE: A082	\$1,600,000
PA: A18	PE: A074	<u>\$8,457,156</u>
		\$65,957,156

(9) ODN: 391-PEPA-10-CC

GH-C/2010/2011

PA: A27	PE: A141	\$1,100,000
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ES/2010/2011

PA: A26	PE: A140	\$20,000,000
PA: A27	PE: A141	<u>\$42,367,878</u>
		63,467,878

Grand Total (1-9)= \$831,335,000

ANNEX 1

AMPLIFIED DESCRIPTIONS

This Annex 1 describes the programs to be undertaken and the progress and achievements to be made with the funds obligated under the Agreement. As used in this Annex, the "Agreement" refers to the Pakistan Enhanced Partnership Agreement to which this Annex 1 is attached and of which this Annex 1 forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

This Annex 1 is organized into eight amplified descriptions. Each amplified description describes an Objective (or a major component of an Objective). Listing all the amplified descriptions, the table below sets forth the annex reference, the amplified description name and the reference number under this Annex 1. Each amplified description describes the background, program areas, illustrative activities, indicators, roles and responsibilities of the Parties, monitoring and evaluation, funding and presents a budget table.

<u>Part</u>	<u>Amplified Description Name</u>	<u>Reference Number</u>	<u>Amount</u>
1-A1	Democracy and Governance	391-PEPA-10-DG	\$98,913,839
1-B1	Health	391-PEPA-10-HPN	\$130,425,000
1-B2	Education	391-PEPA-10-EDU	\$179,454,711
1-C1	Economic Opportunity	391-PEPA-10-EG	\$144,000,762
1-C2	Agriculture	391-PEPA-10-AGR	\$56,493,820
1-C3	Energy	391-PEPA-10-ENR	\$44,825,000
1-D1	FATA	391-PEPA-10-FATA	\$111,264,712
1-D2	KPK	391-PEPA-10-KPK	\$65,957,156

Background

The Agreement originates from the intent of the United States Enhanced Partnership with Pakistan Act of 2009 ("Enhanced Partnership with Pakistan Act"), which seeks to: (a) improve the Government of Pakistan's capacity to address the country's most critical infrastructure needs; (b) help the Pakistani government address basic needs and provide improved economic opportunities in areas vulnerable to extremism; and (c) strengthen Pakistan's capacity to pursue economic and political reforms that reinforce stability.

The Enhanced Partnership with Pakistan Act mandates that more U.S. assistance be provided through accountable Pakistani institutions at the national, provincial, and local levels to implement Pakistani-identified priority programs for which they currently have insufficient funds in order to enhance Pakistani ownership of its development programs and the long-term sustainability of programs funded by international assistance.

The United States and Pakistan will intensify their bilateral and multilateral policy dialogue to encourage specific economic policy reforms such as enhanced revenue collection, increased

accountability and transparency, improved resource management, augmented Pakistani contributions to its development budget, and more equal opportunity for women and girls. These reforms will enhance the sustainability of U.S. assistance and Pakistani investment and help ensure continued government-to-government assistance.

Objectives

In order to further the foreign assistance objectives of Governing Justly and Democratically, Investing in People, Economic Growth, and Stabilization and Humanitarian Assistance articulated by the Government of the United States of America under the Strategic Framework for United States Foreign Assistance, the Parties agree to work together by focusing on activities in the manner described in the attached amplified descriptions in the program areas identified below each Objective:

- a. **Governing Justly and Democratically:** To promote and strengthen effective democracy and move Pakistan along a continuum toward democratic consolidation.
 - Rule of law and human rights
 - Good governance
 - Political competition and consensus-building
 - Civil society
- b. **Social Sector Investment:** To help achieve sustainable improvements in the well-being and productivity of its population through effective and accountable investments in education, health and other social services.
 - Health
 - Education
- c. **Economic Growth:** To generate broad-based economic growth, including the sustainable management of renewable natural resources on which it depends.
 - Trade and investment
 - Infrastructure
 - Agriculture
 - Private sector competitiveness
 - Economic opportunity
 - Energy
- d. **Stabilization and Humanitarian Assistance:** To save lives, alleviate suffering, and minimize the economic costs of conflict, disasters and displacement.
 - Protection, assistance, and solutions
 - Migration management

Government-to-Government Assistance

As further developed in this Annex 1, USAID and the Grantee have agreed to clear and achievable goals and objectives for the use of assistance described in the Agreement, including assistance implemented through government-to-government mechanisms for the Government of

Pakistan. Further, as set forth below, USAID and the Grantee have established mechanisms to ensure that funds for government-to-government assistance are used for the purposes for which they are intended.

(a) Clear and Achievable Goals and Objectives

This Annex 1 describes the activities to be undertaken and sets forth clear and achievable goals and objectives for government-to-government assistance funds obligated under the Agreement. In addition to the defined programmatic goals, government-to-government assistance, by its very nature, also has the following clear and achievable goals and objectives:

1. Increasing Institutional Capacity

In accordance with the principles and recommendations of the Paris Declaration and the Accra Agenda for Action, USAID seeks to channel increasing proportions of its assistance funds to and through Government of Pakistan entities and strengthen financial, procurement and management systems of local, provincial and federal government entities in Pakistan to meet the needs of the Pakistani people.

2. Enhancing Alignment with Pakistani priorities and Country Systems

USAID seeks the progressive alignment of its development assistance behind Pakistani priorities through local country and provincial systems. Implementation, costing plans and goals and objectives for these programs are to be brought forward by Government of Pakistan entities. As a consequence, the Grantee and USAID seek to enhance accountability to the Pakistani people for these government entities.

3. Improving Partnership for Effective Development

USAID and the Grantee have and will continue to endeavor to meeting and consulting regularly on both the technical and the strategic level to ensure that USAID-funded development programs move forward in a spirit of full cooperation and coordination.

4. Increasing Efforts to Achieve Development Results

USAID seeks to work closely with the Grantee to develop and implement programs that promote Pakistani priorities and objectives, avoid duplication of effort, and have strong likelihood for long-term, sustainable impact. The Grantee is to establish and maintain a transparent framework of laws and policies that are conducive to economic progress and democratic governance.

5. Promoting Mutual Accountability

USAID will strive to engage with the Grantee counterpart in the evaluation of programs, and to provide regular written and oral reports detailing the costs, achievements, and impacts of all programs funded. The Grantee is to establish and maintain a transparent system to ensure full

accountability for the funds provided by USAID in accordance with Pakistan government financial management and procurement systems.

6. *Improving Capacity Development*

Capacity development will be the driving force and central goal of USAID and Grantee programs in Pakistan. To the maximum extent feasible, projects are to promote demand-driven and coordinated capacity building in the development of sustainable systems, procedures, and technologies. USAID and the Grantee will seek to work together to use procurement processes that are open and accessible to Pakistanis, and that unnecessarily complex contracting procedures are to be avoided. Where systems and procedures have not been fully developed, such in certain rural districts, the Grantee will strive to work with USAID to improve local capacity.

(b) Mechanisms Established to Ensure Funds are Used for the Intended Purpose

The provision of direct assistance to the Grantee will meet an overarching goal of the U.S. assistance program for Pakistan. To ensure that USAID direct assistance funds are used for purpose for which they are intended, USAID and the Grantee acknowledge the following financial requirements for all direct assistance to the Grantee:

1. Prior to the disbursement of any USAID funds for any direct assistance program, in accordance with the relevant implementation agreement, the Grantee will submit documentation to USAID showing the establishment of a separate dollar account and a special local currency account. All disbursements for an activity are to be made through these accounts. No other funds may be commingled with these accounts. These accounts are subject to audit by USAID or its designee.
2. The Grantee will provide USAID with an executed copy of a third-party authorization letter, granting USAID information access rights to any special account established to receive USAID funds.
3. In the relevant implementation agreements, USAID and the Grantee will agree to appropriate funding mechanisms designed to achieve the clearly stated goals and objectives prior to the release of USAID funds for the designated purpose.
4. Any USAID funds provided under a direct transfer and unspent at the end of the activity period are to be returned to USAID.
5. Prior to the disbursement of any USAID funds for any direct assistance program, USAID will conduct an assessment of the administrative and financial management systems and the procurement procedures of each participating Government of Pakistan entity. The assessment included steps such as a test of the application of procurement procedures, a review of their compatibility with USAID procedures and their capacity to adapt procedures as necessary to comply with relevant procurement procedures. Until USAID has determined that the participating Grantee entities have the management capacity to adequately safeguard U.S. Government resources, USAID-funded contractors may be

retained to assist the relevant Grantee entities with financial management and/or procurements to be financed by USAID.

6. USAID reserves the unconditional right to suspend any and all disbursements should it deem, at its sole discretion, that the Grantee has not fully cooperated or implemented these financial management recommendations; provided that, USAID will notify the Grantee detailing the deficiencies and the proposed remedies in writing at least 15 calendar days prior to suspension, which will allow the Grantee to remedy the listed deficiencies.
7. The Grantee shall maintain, or cause to be maintained, in accordance with its laws and regulations, and generally accepted international accounting principles and practices, documents in support of deposits to, and withdrawals from, the separate dollar account, the conversion of such withdrawals into local currency, and uses of the local currency. Such documents shall be available for review and audit by USAID or its designees at the end of each fiscal year of the Grantee and at other such times as USAID may request, and for up to three years following the last withdrawal from the applicable separate accounts made in accordance with the provisions of the relevant agreements.
8. The Auditor General of Pakistan will also audit both the separate dollar account and the special local currency account and their uses in accordance with U.S. Government auditing standards, or other internationally accepted standards, as provided under the Memorandum of Understanding, dated April 26, 2007, and executed by USAID/Pakistan, the USAID Regional Inspector General, Manila and the Auditor General of Pakistan.
9. The Grantee shall provide USAID with quarterly reports on the uses of local currency funds and the status of the separate dollar account until the funds are fully withdrawn from the separate dollar account and such funds, including local currency purchased therewith, are applied to the agreed upon uses specified in the relevant implementation agreement. Each such report will include information acceptable to USAID regarding all deposits into and withdrawals from the separate dollar account, and the uses of such withdrawals, including deposits of local currency into the special local currency accounts at the State Bank of Pakistan and the prompt application of such local currency for the purposes set forth in the relevant implementation agreement regarding the use of these funds. The quarterly report will include copies of the corresponding bank statement(s) pertaining to the period covered by the report.
10. The relevant implementation agreements will provide that USAID direct assistance funds will only be used for the clearly defined activities and that no such funds will be used to finance, reimburse or service debts related to, or used for, any ineligible individual or organization or any ineligible use or used to finance ineligible commodities. The Grantee confirms refund to USAID the cost of any ineligible cost.
11. None of the funding made available under the relevant implementation agreements may be provided to any official of the Government of Pakistan or any other level of government for uses other than those agreed to and in connection with the procurement of

goods and services relating to the Activities, nor will any Government of Pakistan employee or agent solicit or accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements, except for service fees or similar payments legally established in Pakistan. In addition, no funds will be used for the payment of salary supplements for government employees, except as otherwise approved in writing by USAID. The Grantee will provide written notification of these prohibitions to each governmental entity, recipient community and contractor/grantee, and shall provide written notice to USAID confirming the distribution of such notices.

12. The Grantee confirms that any undisbursed funds at the end of the Pakistani fiscal year will remain non-lapsable and will be made available immediately upon the beginning of new fiscal year for the intended purpose defined in the relevant implementation agreement.

The above mechanisms apply to cash transfer assistance, which is one of several possible forms that government-to-government assistance may take. For other forms, such as Fixed Amount Reimbursement Agreements or Performance-Based Disbursements, similar mechanisms will be established to ensure that funds are used for their intended purposes. Such mechanisms will include, at a minimum, (i) assessment of the implementing agency's ability to manage and utilize the funds, (ii) remedial measures to address any material weaknesses identified by the assessment, (iii) a clear statement of eligible uses of funds, (iv) disbursement of funds in tranches (where appropriate), (v) periodic reporting by the implementing agency on the use of funds and progress towards achieving project goals, (vi) USAID's right to inspect records and conduct audits, and (vii) USAID's right to obtain a refund of any funds that are not used for eligible purposes.

(c) Monitoring of USAID-funded Assistance

USAID will monitor, evaluate and verify activity implementation through its Mission staff or use third parties to monitor, evaluate and verify all USAID-funded activities. These parties will visit sites, take pictures, interview community members, and compare reports to the on-the-ground realities for a given project. USAID monitoring exercise will provide input to the Grantee and will be considered as the technical guide for the implementation of the activities.

USAID and Grantee will seek to establish a monitoring and evaluation plan specific to each activity for which direct assistance funds will be used. Each plan will include: a process to monitor the performance including spot checks of the beneficiaries; and identification and evaluation of problem areas or constraints which may inhibit the attainment of the goals and objectives for which the direct transfer funds were intended.

**Amplified Description
Democracy and Governance Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement in the area of democracy and governance. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Pakistan has faced numerous challenges in its quest to consolidate democratic governance. The transition to democracy in Pakistan has been inconsistent and erratic due to frequent alterations between civilian and military rule which made the progress of democratic institutions' development uneven. Military regimes have ruled the country for more than half of Pakistan's existence and have traditionally concentrated power in the executive branch. The executive has typically usurped legislative and judicial authority and marginalized provincial and local governments. Potential competitors and watchdogs such as political parties and civil society organizations have been periodically suppressed.

This history has understandably hindered the development of institutions of governance and demand for their public transparency and accountability. For example, Pakistan's National Parliament and Provincial Assemblies fail to meet several internationally recognized standards of democratic practice and the majority of their members are newly elected and thus in need of training. Political parties have historically been considered to be personality driven, overly centralized, and lacking well defined platforms that are responsive to the concerns and needs of the people of Pakistan. A lack of strong public accountability mechanisms in place and rule of law, the country has suffered from corruption to become pervasive and systematic. The low quality of municipal service delivery contributes to Pakistan's poor social indicators. If these shortcomings are not addressed during this period of civil rule in the wake of the vast impact of the disastrous floods, citizen confidence will wane and the legitimacy and appeal of democratic government will be undermined.

Recent developments suggest that there is now a greater audience for democratic reform. In part this demand had been flamed by the proliferation of independent media that has made political analysis accessible to the average citizen. With greater awareness has come an increased demand for democratic reform and enhanced transparency. Leading political parties have made good on some of the promises made in the 2006 Charter of Democracy. For example, the 18th Amendment was passed in April of this year marking the first time that a Pakistani president has relinquished significant powers. With USAID support, the National Assembly and each of the Provincial Assemblies, as well as the Election Commission of Pakistan, established strategic plans which set a course for reform, professionalization and institutional development.

While the devastating floods that have swept Pakistan in July and August of 2010 pose a further challenge to governance in the country, they also pose a unique opportunity. During this horrific natural disaster the country's institutions have the chance to demonstrate their capability to implement relief, recovery, and rehabilitation efforts and to prepare to respond to future challenges. If citizens do not have confidence that their elected government can deliver essential relief to those affected by the floods, their support for democratic governance can only erode. USAID's Democracy and Governance programs will be adapted to ensure that democratic institutions receive the support they need to be more responsive to the needs of flood victims. For example, the proposed Municipal Services Delivery Program with each province will focus initial efforts on rehabilitating infrastructure and enhancing service delivery in several flood-affected areas while encouraging the active participation of citizens to ensure that projects are properly identified, agreed upon, and monitored. USAID will also work with other democratic actors such as parliamentarians, political leaders, and civic organizations to monitor the flood relief efforts and develop and advocate for policies and legislation to further strengthen Pakistan's response to natural disasters.

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the Framework at the Program Area level.

The activities described in this annex to be carried out through this Agreement build on and complement many of the projects that have been implemented under the Strategic Objective Grant Agreement for Democracy and Governance (No. 391-004), dated 2003 and last amended Sept. 30, 2009. Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement, as well as assist key democratic actors and institutions to respond to the disastrous floods of 2010.

III. Program Areas/Illustrative Expected Results

In this Agreement both parties seek to support democratic governance by increasing the capacity of officials and institutions in all three branches of government, with a special focus on supporting sub-national government and other democratic processes such as elections, critical ingredients of public trust, government integrity and accountability. This agreement also seeks to promote effective engagement with other actors such as political parties and civil society groups to enhance their capacity to contribute positively to the democratic development of Pakistan. Given the need for massive reconstruction in the aftermath of the flooding, the capacity of Pakistan's democratic institutions will be tested and must be able to respond effectively, and in a transparent and accountable way. This Agreement seeks to help achieve that end.

The proposed program activities are designed to strengthen key democratic institutions and practices. There are four main areas of support: (1) local governance/municipal services; (2) representative government; (3) effective and efficient delivery of justice; and (4) citizen participation and government oversight. These correspond to the U.S. Foreign Assistance Framework categories of good governance, political competition and consensus, rule of law and

human rights, and civil society and media, as well as discussion arising from the U.S. Pakistan Strategic Dialogue.

Program activities will be aimed at achieving important results which will include, but not be limited to:

- More efficient and effective local service delivery
- Strengthened, effective, and representative legislative bodies
- More effective sub-national judiciary
- Improved credibility of political institutions and processes
- Strengthened capacity and oversight of key accountability institutions
- Effective civil society for oversight, engagement, and advocacy

IV. Illustrative Activities

In support of the above-mentioned illustrative results, the Pakistan/USAID partnership will support the following programs:

A. Good Governance

Local Governance/Municipal Service Delivery: This program will seek to expand effective local governance, essential service delivery and public security through broad-based citizen participation leading to measurable improvement in the stability of democracy at the local level in Pakistan. The program will work with provincial governments to identify appropriate activity proposals that already have partial government funding in the provincial budget. The program will support transparent and accountable local governance that delivers basic services such as water, sanitation, waste collection, local roads, and culverts, while reinforcing mechanisms for community engagement and improvement of planning, budgeting, management and maintenance systems.

Parliamentary Strengthening Partnership: This program's objectives are to develop the capacity of the National Parliament and the Provincial Assemblies to: 1) better represent constituents' viewpoints; 2) draft legislation and conduct government oversight; and, 3) improve transparency through expanded accountability mechanisms. The program will support the National Assembly and each of the Provincial Assemblies to implement key aspects of their newly drafted strategic plans. The program also will support the expansion and strengthening of the Islamabad-based Pakistan Institute for Parliamentary Services to help it become a state-of-the-art resource center that can provide training, analysis and legislative support services to each of the six assemblies. An emphasis will be placed on enhancing citizen participation in the legislative process.

Support for Oversight and Anti-Corruption Institutions: USAID intends to develop a comprehensive transparency and anti-corruption program with the Government of Pakistan to strengthen the institutional capacity of key financial, audit and oversight bodies to improve the transparency and integrity of the management of public funds. Improving access to public information about government budgeting and planning, procurement and government finances

will also be an important area of focus. Specific activities and counterpart institutions will be determined in consultation with the Government of Pakistan.

B. Political Competition and Consensus

Election Support Partnership: Using the new five-year strategic plan of the Election Commission of Pakistan (ECP) as a platform, this program seeks to restore the confidence of the citizens in the credibility of the electoral process and independence of the ECP. The program will support the modernization of the national electoral rolls and will provide technological and infrastructure support to ECP district offices. The program also will support independent election monitoring for upcoming national and local elections.

Political Party Development: This program will support the ability of political parties to contribute constructively to democratic policy-making and governance processes in a more transparent, research-driven and representative manner and thereby generate greater public confidence in their ability to govern and effect positive policy change. USAID will work with an independent implementing partner to assist parties to seek input of civil society; and conduct their own research, analysis and training for effective platform and policy formulation. Parties will be supported to communicate more effectively with memberships, constituencies and the general public; and encouraged to adopt internationally recognized standards for internal democracy and transparency.

C. Rule of Law and Human Rights

Effective and Efficient Delivery of Justice: The National Judicial Policy highlights three pillars for improving the capacity of and public confidence in the judicial branch and court system: (1) expeditious disposal of cases, (2) eradication of corruption and misconduct and building a structure of rule of law, and (3) judicial independence. Working with the provincial structures of the Pakistani judiciary, this program will advance these critical goals, with a particular focus on the expeditious disposal of cases. The program will focus on subordinate level courts such as district and civil courts where the bulk of litigation occurs. Targeted federal level assistance and initiatives to foster the transfer of innovations across provinces may also be provided. Additionally, partnerships with international judicial support institutions to promote innovations in training and development of court personnel may be supported.

D. Civil Society and Media

Civil Society Voice, Accountability, and Capacity: The program aims to promote greater civic participation in, and oversight of, government to advance good governance. There are three main objectives: 1) policy advocacy and oversight of government programs (strengthened voice); 2) civil society organizational development and targeted training (enhanced capacity); and, 3) public-private connections, or linkages, between and among state and non-state actors, such as civil society, media, educational or policy research entities and federal, provincial and local government (improved accountability). The program will be implemented by an independent Pakistani organization that will provide organizational development and grants to non-

governmental organizations implementing advocacy and government oversight activities and to non-state and state entities implementing public-private partnership activities.

Special emphasis will be placed on support to advance women's human rights and empowerment through a targeted grant fund, called the Gender Equity Program (GEP). This program aims to support the Government of Pakistan's (GOP) gender policies as described in the National Plan of Action for Women, the National Policy for Empowerment and Development of Women and Gender Reform Action Plans. The program will be implemented by an independent Pakistani organization that will provide grants to hundreds of diverse local organizations throughout the country and across a wide range of priorities including expanding women's access to justice, enhancing knowledge of women's rights, combating gender-based violence, and strengthening the capacity of women's advocacy organizations.

Anti-Corruption and Transparency: USAID will work with a local non-governmental organization to establish and publicize a nation-wide fraud reporting hotline. The program will collaborate with USAID's Office of the Inspector General (OIG) to support a specialized fraud prevention and detection program to directly monitor relief, reconstruction and development efforts funded by supplemental emergency funding and by the Enhanced Partnership with Pakistan Act over the next five years. USAID/OIG will screen allegations to ensure matters are expeditiously referred for investigation or other resolution by the appropriate authorities. The program will also work with the National Disaster Management Authority and its provincial counterparts to introduce greater transparency and accountability, and the capacity to fulfill its mandate during the 2010 flood crisis.

Public Communications: USAID will work with relevant government ministries, provincial departments and subsidiaries to promote enhanced communication within the Government of Pakistan and between the government and Pakistani citizens. The program will support targeted efforts to improve public communication and outreach by the Government, including but not limited to the construction of a data storage and information systems service facility to enable the government to employ common applications and enhance government accountability and audit capability. The program may also support the development of electronic citizen services to enable Pakistani citizens to engage the government through electronic forms of communication, saving time and money. Media programs and information programs will be designed to enhance Pakistani's understanding for American development programs. Other activities jointly agreed by the government counterparts and USAID (in consult with the Public Affairs Section of the U.S. Embassy) may also be supported.

V. Indicators

Both parties agree that it is critical to establish measurable indicators that can be used to gauge success in areas supported under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the parties through program implementation letters. Selected, key illustrative indicators in support of the proposed program areas are, but not limited to:

- Number of selected municipalities that have mechanisms in place to engage citizens in decision-making on a systematic basis;
- Number of public information requests fulfilled by the government;
- Percentage of audit cases resolved;
- Number of bills drafted by legislators (private member bills);
- Voter list is updated accurately and in a timely manner;
- Reduction in court case backlog and delay;
- Number of new government and non-government linkages to create effective state-citizen engagement.

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the objective.

A. Grantee

In implementing this Agreement, the Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. It is expected that the primary responsibility for implementation of Agreement activities will rest with the following Grantee entities, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart to the Agreement.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also shall include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. *Strategy/Monitoring and Evaluation:* To ensure impact of the Democracy and Governance Program, its activities require objective monitoring that produces high-quality data on implementation and results, a directed effort to communicate the effectiveness of these programs

publicly to different audiences, and targeted capacity building of government and community entities. The Parties will work together on monitoring, reporting, and evaluation of activities in the Democracy and Governance Program. This may include developing or refining project indicators and targets; collecting and collating baseline and periodic monitoring data for projects; and producing reports and other communication documents.

2. *Direct USAID Project Interventions:* Expanding opportunities within USAID's existing portfolio may permit a quick response to essential needs, as jointly defined. Ongoing USAID democracy and governance programs that are national in scope may be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time.

Required data, the formats and frequency of acquisition, and data storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits.

Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the respective implementing partner increasing responsibility for this function as capacity is built over time.

Both parties agree to the importance of sound monitoring and oversight systems. When necessary, USAID will provide monitoring and oversight assistance. In each province, the monitoring will include observing activities and training sessions, verifying people trained and infrastructure rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID.

Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-A

U.S Partnership with Pakistan

2010-2014

(Millions of Dollars)

Sector	2010	2011	2012	2013	2014	Total
Governing Justly & Democratically						
Rule of Law & Human Rights						
Constitutions, Laws and Legal Systems	150,000	-	-	-	-	150,000
Judicial Independence	300,000	-	-	-	-	300,000
Justice System	610,000	-	-	-	-	610,000
Human Rights	250,000	-	-	-	-	250,000
Good Governance						
Legislative Function and Processes	8,306,000	-	-	-	-	8,306,000
Public Sector Executive Function	-	-	-	-	-	-
Local Government and Decentralization	24,840,462	-	-	-	-	24,840,462
Anti Corruption Reforms	557,000	-	-	-	-	557,000
Political Competition & Consensus-Building						
Elections and Political Processes	9,775,000	-	-	-	-	9,775,000
Political Parties	5,225,000	-	-	-	-	5,225,000
Civil Society						
Civic Participation	36,693,710	-	-	-	-	36,693,710
Media Freedom and Freedom of Information	5,075,000	-	-	-	-	5,075,000
Program Development & Administrative Costs						
Direct Program Support - Program Design & Learning (PD&L)	240,000	-	-	-	-	240,000
Direct Program Support - Administration & Oversight (A&O)	1,660,000	-	-	-	-	1,660,000
Indirect Program Support- Program Design & Learning (PD&L)	1,000,000	-	-	-	-	1,000,000
Indirect Program Support - Administration & Oversight (A&O)	4,231,667	-	-	-	-	4,231,667
TOTAL	98,923,839	-	-	-	-	98,923,839

**Amplified Description – Social Sector Investment
Health Development Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement for the purposes of the health program. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Pakistan continues to face huge developmental challenges as underscored by the slow progress in improving the health status of its citizens over the last 15 years. Pakistan's population of 170 million continues to grow faster than its economy, education system, food and energy supply, infrastructure, or health care system can sustain. The average Pakistani woman has 4.1 children in her lifetime, and 40% of the population is under 15 years of age. The Government of Pakistan (GOP) would like to halve this fertility rate to 2.1, but does not have the capacity to realize this shift. Even if fertility is decreased, the lowest projection shows that Pakistan's population will still grow to 292 million by 2050, further exacerbating strains on the country's economy and systems. The high growth rate and relatively large proportion of population under 15 years of age will continue to contribute to the increasing demand for scarce resources and services including health.

Pakistan faces enormous in achieving the Millennium Development Goals (MDGs) four (reduce child mortality) and five (improve maternal health). Approximately 20,000 women die due to childbirth related causes every year and pregnancy-related conditions remain the single most important cause of adult female deaths in the country. Further, over 90,000 under-five child deaths could be prevented annually in Pakistan if all births were spaced at least three years apart. Although a quarter of married Pakistani women would like to limit their family size or space their next pregnancy, this rate has stagnated over recent years at about 22 percent.

The country is also struggling to reduce the incidence of infectious diseases, MGD six (combat HIV/AIDS, malaria, and other diseases). Pakistan remains one of only four endemic countries in the world with polio. The percentage of fully immunized children is extremely low at 47 percent. Further, water and sanitation-related diseases are responsible for an estimated 16 percent of child mortality annually.

The disastrous floods of July and August 2010, exacerbated Pakistan's health challenges, further weakening the GOP capacity to deliver critical health services. More than 187 primary health care facilities have been damaged or destroyed, substantially increasing the risks of maternal,

infant, and child mortality. Incidences of skin diseases, diarrhea, acute respiratory infections and other communicable diseases have already increased substantially. The challenge in handling these illnesses is likely to increase with high numbers of pregnant women in the flood-affected populations; it is anticipated that more than 100,000 babies will be born among the affected population in the last half of 2010 during the relief and early recovery phases of disaster recovery. The immediate and more long-term development challenge for Pakistan, and that of its partners, will be to get Pakistan's health system functioning to meet the country's many health demands.

Health Program

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework) and consistent with the US Pakistani Strategic Dialogue elements. The activities described below are organized under the U.S. Foreign Assistance Framework at the Program area level.

The activities described in this annex to be carried out through this Agreement strengthens and complements programs that have been implemented under the Strategic Objective Grant Agreement for Health and Population Welfare (No. 391-007), dated August 18, 2003. Under the identified program areas, this Agreement will build on the efforts the Parties have carried out through the strategic objective grant agreement, as well as contribute to addressing urgent health challenges that caused by the flood, including restoring elements of the country's health system that were destroyed or disrupted.

III. Program Areas/Illustrative Expected Results

The Pakistan/USAID partnership will quickly initiate programs to assist the federal and provincial ministries in addressing its most crucial post-flood challenges while restoring the health system to pre-flood operating levels, while working towards the longer term goal of meet the MDGs by improving the access and quality of health care services.

Relief, recovery and longer term development programs will focus on three key areas: 1) reducing child mortality; 2) improving maternal mortality; and 3) reducing incidence of major communicable diseases. Underlying these areas will be critical support to improving the health system itself, including infrastructure (renovation and construction), equipment and commodities procurement, and improving the skills of health care workers.

Program activities will work to achieving important results which will include, but not be limited to:

- Reduction in under-five mortality rate,
- Reduction in infant mortality rate,
- Reduction in maternal mortality ratio,
- Increase in proportion of births attended by skilled health personnel,
- Increase in contraceptive prevalence rate,
- Reduction in unmet need for family planning, and
- Increase in percentage of fully immunized children.

IV. Illustrative Activities

In support of the above program areas and illustrative results, the Pakistan/USAID partnership will specifically implement programs in the following areas:

Service Delivery

Long-term assistance in this area will provide essential services and improve the quality and reliability of care for maternal and child health, family planning and reproductive health, infectious disease surveillance and immunizations including polio. Relief and early recovery will focus on the prevention and treatment of diarrhea, respiratory infections, skin diseases, infectious diseases such as cholera and malaria, and acute malnutrition among adults and children, and ensure that pregnant women continue to receive critical prenatal care, and give birth in a clean environment with a skilled attendant.

As a complement our financial support, USAID will also provide short and long-term technical advisors to work with health-related federal and provincial GOP entities. The technical advisors will be embedded in the Ministries (or other relevant institutions) working on specific tasks such as scaling-up of best practices and other key technical issues. They will also help ensure effective and efficient use of direct cash support provided by USAID to GOP agencies.

Health Facility Infrastructure

Long-term assistance will include the planned renovation and construction of three key medical facilities in Karachi, Lahore and Jacobabad, along with the contraceptive warehouse in Karachi. In response to the floods, the USG is also prepared to 1) help re-stock and equip basic health units that are still operational, 2) renovate basic health units that were partially damaged to make them fully functional, and 3) construct temporary structures where total damage has occurred.

Commodities, Supply Chain Management, and Cold Storage

USG assistance in these areas includes providing contraceptive supplies, strengthening the GOP capacity in supply chain management, and providing immunizations and cold storage equipment. Assistance will provide in-kind donations of contraceptive supplies to address the family planning demand in the public (GOP) and private (social marketing) sectors. The program will continue to build the capacity of the GOP to assume full responsibility for contraceptive supply chain management including: procurement planning, solicitation, storage, and distribution. To expand the capacity of the country-wide immunization program, support will be given for the purchase of vaccines and cold chain equipment.

Workforce Development

Workforce development programming will strengthen the skills and number of skilled health workers by providing support to medicine/public health-related higher education institutions to provide in-service training. The program will develop and strengthen the capacity of the public health educational institutions, nursing, and midwifery schools to generate a more qualified workforce in the country.

Municipal Water Services

USAID will support the design, construction, and oversight for the rehabilitation of the municipal drinking water supply infrastructure. The rehabilitation will be accompanied by capacity building for financial accountability, revenue generation, and long-term sustainability. The infrastructure and management activities will be complemented by community and household hygiene and sanitation demand creation and behavior change activities.

Monitoring, Evaluation and Surveillance

The Agreement provides funding to conduct the 2011 Demographic and Health Survey to help USAID, the GOP and all health partners track the progress Pakistan is making in reaching the MDGs. Smaller surveys will be conducted to follow short-term progress and more immediate success. Assistance will also continue to support the establishment of an integrated disease surveillance system.

V. Indicators

Both parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through program implementation letters. Key illustrative indicators in support of the proposed health program already identified will include, but not be limited to:

- Number of people treated for flood-related diseases such as diarrhea, respiratory, infections, skin diseases and acute malnutrition,
- Number of women affected by the flood receiving prenatal care and giving birth in clean environments with a skilled attendant,
- Number of partially or fully damaged health facilities restocked, equipped, repaired and restored,
- Number of children vaccinated in flood affected areas,
- Number of post-partum visits/newborn visits within three days of birth,
- Number of women receiving active management of the third stage of labor,
- Number of women receiving at least two antenatal visits,
- Number of Ministry of Health facilities providing integrated family planning counseling and services,
- Couple years of protection per year,
- Percent of births that occurred 36 or more months after the preceding birth (disaggregated by district, provincial, and national),
- Number of children under 5 years of age who have received oral polio vaccination,
- Number of children less than 12 months of age who have received DPT3 vaccination,
- Number of children under 12 months of age who have received measles vaccination,
- Number of women receiving maternal and child health care in an upgraded or new health facility,
- Number of vaccines purchased,

- Number of community midwives who complete training and are fully operational within 6 months of graduation,
- Number of clinical and community health providers providing client-centered counseling and services for family planning,
- Increased awareness on the part of citizens of better hygiene practices,
- Number of people (disaggregated by sex and location) in target areas with access to improved drinking water supply, and
- Number of people (disaggregated by sex and location) with access to improved sanitation facilities.

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the objective.

A. Grantee

The Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. It is expected that the primary responsibility for implementation of Agreement activities will rest with the Federal and Provincial Ministries of Health, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. The Grantee's role in achieving planned results will also include helping to leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities. The Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart for the Agreement.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. *Monitoring, Reporting, and Evaluation:* To ensure impact of the Health Development Program, its activities require objective monitoring that produces high-quality data on implementation and results, a directed effort to communicate the effectiveness of these programs to different audiences, and effecting capacity building of government and community entities. The Parties will work together on monitoring, reporting, and evaluation of activities in the Health Development Program. This may include developing or refining project custom and standard indicators and targets; collecting and collating baseline and periodic monitoring data for projects; and producing reports and other communication documents.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will require a quick response to essential needs. Ongoing USAID activities in health that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have programs and activities implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Both parties recognize that monitoring and evaluating (M&E) activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. Credible, objective, and accurate monitoring and evaluation activities frequently require in-depth external evaluations and audits of particular activities. These M&E activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Government of Pakistan/ Federal and Provincial Ministries of Health increasing responsibility for this element as their capacity is built over time.

Both parties agree to the importance of sound monitoring and oversight systems. The USAID health office will establish a monitoring contract that will provide monitoring and oversight assistance to USAID supported programs. In each province, the monitoring will include observing activities and training sessions, verifying people trained and clinics rehabilitated,

performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-B1

U.S Partnership with Pakistan						
2010-2014						
in U.S. Dollars						
Sector	2010	2011	2012	2013	2014	Total

Investing In People

Health, Population and Nutrition

HIV/AIDS	5,390,434	-	-	-	-	5,390,434
Tuberculosis	8,128,000	-	-	-	-	8,128,000
Other Public Health Threats	10,469,859	-	-	-	-	10,469,859
Maternal and Child Health	67,563,904	-	-	-	-	67,563,904
Family Planning and Reproductive Health	22,363,000	-	-	-	-	22,363,000
Water Supply and Sanitation	2,515,000	-	-	-	-	2,515,000
Nutrition	2,600,000	-	-	-	-	2,600,000

Program Development & Administrative Costs

Direct Program Support - Program Design & Learning (PD&L)	-	-	-	-	-	-
Direct Program Support - Administration & Oversight (A&O)	1,765,000	-	-	-	-	1,765,000
Indirect Program Support - Program Design & Learning (PD&L)	3,000,000	-	-	-	-	3,000,000
Indirect Program Support - Administration & Oversight (A&O)	6,629,803	-	-	-	-	6,629,803
TOTAL	130,425,000	-	-	-	-	130,425,000

**Amplified Description – Social Sector Investment
Education Program**

I. Introduction

This annex describes the activities to be undertaken in the Education Program and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Pakistan continues to face major challenges in meeting the education needs of its citizens. Today, approximately 20 million school age children do not have access to quality education and literacy rates are extremely low (69 percent for men and 44 percent for women). These gaps in educational attainment are perpetuated by low attendance rates, inadequate infrastructure, and poorly trained and frequently absent teachers. Limited government capacity, inadequate funding, poor coordination between national, provincial, and district level governments, lack of monitoring and evaluation at all levels, and security concerns impede efforts to improve the situation. Despite these challenges, education is a top priority for families. In the absence of adequate public education, the private sector and religious groups filled the void. Private sector schools now account for a third of education institutions in the country. To reach their potential, Pakistanis must have access to quality, well-governed education at all levels.

Quality basic education not only provides a foundation for future economic growth, but is essential to socializing youth with the values of a just and tolerant society. Countries that invest in *equitable* education reduce their vulnerability to civil unrest. Conversely, the lack of education services and its inequitable distribution are known drivers of instability that can foster citizens' grievances. Emerging research shows that increasing enrollment rates in secondary schools by 10 percent can reduce the average risk of conflict by three percentage points. Increased investment in the education sector will serve as a catalyst for economic growth, social tolerance, community- and nation-building, and the prevention of violence.

USAID has an extensive portfolio in the education sector that is responsive to the needs of the Pakistani people and the priorities of the Government of Pakistan. USAID works directly with government and local organizations to improve and expand access to and governance of quality basic education and to develop leadership in sectors key to development through investment in higher education.

USAID's activities are contemplated in the context of the Pakistan-U.S. Strategic Dialogue and the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the Framework at the program area level.

The activities described in this annex to be carried out through this Agreement continue and complement the projects that have been implemented under the Strategic Objective Grant Agreement for Education (No. 391-003), dated August 9, 2002, and its amendments. Under the identified program areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement, as well as contribute to restoring the key elements of the country's education system destroyed or disrupted by the floods of 2010.

III. Program Areas/Illustrative Expected Results

The Pakistan/USAID partnership will target the Education Program at two key areas, focusing particularly on girls, in targeted districts, and in key sectors: 1) increased access to, improved quality of, and improved governance within the basic education sector; and 2) improved leadership through higher education.

Program activities will work towards achieving important results including, but not limited to:

- Improved physical environment of schools;
- Increased incentives for enrollment;
- Innovative and non-traditional approaches to education;
- Improved standards for teachers and increased accountability;
- Better teaching skills and subject proficiency in public schools;
- Greater access to teaching and learning materials;
- Improved institutional and human capacity of local and provincial governments;
- Active community participation in the education sector to drive improvement in schools;
- Improved monitoring and evaluation by provincial and district level education officials;
- Strengthened higher education institutions; and
- Increased access to higher education.

IV. Illustrative Activities

Provincial Education Programs

The provincial education programs in Punjab, Sindh, Balochistan, and Khyber Pakhtunkhwa are tailored to the specific needs of each province and are responsive to priorities of the provincial governments, including flood response. USAID is partnering directly with the government, other donors, and local organizations to implement these programs. Activities may include: renovating and rebuilding schools, providing missing facilities (e.g., clean water, consistent electricity, toilets, boundary walls, girl-friendly facilities), creating new middle school learning opportunities by upgrading existing primary schools, providing stipends tied to regular attendance rates, and distributing teaching and learning materials. Capacity building for the government, community outreach and mobilization, and monitoring, reporting, and evaluation are key components of each program.

Education Quality

The Parties will work together at all levels of the education system to improve student learning, as well as government capacity at the federal, provincial, and district levels to provide quality education. In basic education, the Parties will seek to improve achievement in four core middle

and secondary school subjects of English, science, math, and computer literacy. Support for core subjects will include teacher and administrator training and upgraded learning labs as well as special attention to the education needs of internally displaced people. In addition, training will be provided for provincial and district education officials in budget and data-based decision making while teachers will receive professional development support in-country and abroad. Select students and teachers may participate in short-term training and cultural exchanges. Finally, assistance will be provided to the provincial Assessment Boards to ensure that district examinations are in line with the new curriculum and emphasis is placed on higher order thinking skills.

Teacher Education

The Parties will also work to enhance the quality of basic education in Pakistan by strengthening the institutions that provide pre-service teacher education. Programs will benefit new and practicing teachers by helping upgrade their teacher qualifications. The program will also work to develop a national framework for the accreditation and licensing of teachers.

Assistance will center on strengthening policy and institutional frameworks for delivering quality education services. Strategies to adopt new technologies and develop teacher and administrator skills will continue to be implemented. Technical assistance will be provided to enhance the design of teacher training programs, the development of accreditation and evaluation standards, and the quality of teaching and learning materials. The capacity of the government to monitor and report on teacher performance and attendance will be a focus of assistance in order to promote accountability and transparency in the education sector.

Innovative Approaches to Basic Education

Assistance will seek to reach children through non-traditional means, including through television and other media. Innovative approaches will be supported to improve quality of education.

Higher Education Scholarships

Parties will work together in higher education to assure that scholarships enable academically eligible yet financially needy Pakistani university students continue their studies in Pakistani universities. The Parties will focus on areas where service delivery is weak and greater Pakistani government capacity to deliver education is likely to improve local perception.

The Fulbright program, managed by the Department of State Bureau of Educational and Cultural Affairs, will provide scholarships to Pakistani students to obtain Master's and Doctoral degrees from U.S. universities.

Strengthening Higher Education Institutions:

To better manage increased student populations in higher education, programs will build the capacity of Pakistani universities and government entities to manage scholarship programs, build viable financial aid systems, pursue fundraising, and establish public-private partnerships.

The Parties will also help build linkages between American and Pakistani academic institutions and promote Pakistani access to global education networks and job markets. As part of this goal,

the Parties will establish world-class tertiary-level centers within existing Pakistani universities that will produce highly skilled and motivated leaders in technical sectors critical to national development. At the core of these centers will be long-term, well-funded and mutually-beneficial collaborative partnerships between leading Pakistani and American universities. Illustrative activities that might be undertaken to develop a center may include infrastructure (e.g., libraries, classrooms, and research facilities), curriculum development, and faculty training.

V. Indicators

The Parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through subsequent program implementation letters. Key illustrative indicators in support of the proposed education program areas are, but will not be limited to:

- Number of children enrolled in targeted districts,
- Percent change in parents' confidence levels in public education in targeted districts,
- Number of US-supported graduates from higher education institutions,
- Number of schools renovated or rehabilitated in targeted districts,
- Number of institutions offering accredited education degrees (ADE, B. Ed. Hons.),
- Number of teachers enrolled in accredited education degrees (ADE, B. Ed. Hons.),
- Number of communities with government mechanisms in place to share/solicit information, and
- Number of government staff trained (donor coordination, planning, implementation, administration, monitoring).

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

A. Grantee

In implementing this Agreement, the Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. It is expected that the primary responsibility for implementation of Agreement activities will rest with the following Grantee entities, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations.

Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart to the Agreement. For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include supporting changes in policy and practice to achieve shared education goals, helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing, and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. *Monitoring, Reporting, and Evaluation:* To ensure impact of the Education Program, its activities require objective monitoring that produces high-quality data on implementation and results, a directed effort to communicate the effectiveness of these programs to different audiences, and effecting capacity building of government and community entities. The Parties will work together on monitoring, reporting, and evaluation of activities in the Education Program. Monitoring, reporting, and evaluation activities may include developing or refining project custom and standard indicators and targets; collecting and collating baseline and periodic monitoring data for projects; and producing reports and other communication documents.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs. Ongoing USAID activities in education that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the Education Program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the

objective of giving the provincial governments increasing responsibility for this element as their capacity is built over time.

In addition to the district strategic plans discussed in Section VI, USAID will conduct regular monitoring and evaluation of education activities throughout the life of the program.

Both parties agree to the importance of sound monitoring, oversight, and reporting systems. When necessary, USAID will provide for a monitoring contract will provide monitoring and oversight assistance. In each province, the monitoring will include observing activities and training sessions, verifying people trained and schools rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-B2

U.S Partnership with Pakistan						
2010-2014						
Millions of U.S. Dollars						
Sector	2010	2011	2012	2013	2014	Total
Investing in People						
Education						
Basic Education	142,859,359	-	-	-	-	142,859,359
Higher Education	13,600,000	-	-	-	-	13,600,000
Program Development & Administrative Costs						
Direct Program Support - Program Design & Learning (PD&L)	300,000	-	-	-	-	300,000
Direct Program Support - Administration & Oversight (A&O)	1,700,000	-	-	-	-	1,700,000
Indirect Program Support - Program Design & Learning (PD&L)	11,400,000	-	-	-	-	11,400,000
Indirect Program Support - Administration & Oversight (A&O)	9,595,352	-	-	-	-	9,595,352
TOTAL	179,454,711	-	-	-	-	179,454,711

**Amplified Description – Economic Growth
Economic Opportunity**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Pakistan faces immediate and severe political and economic challenges that threaten the country's stability. Massive flooding has affected almost 20 million people, destroying crops, housing, and infrastructure. Energy shortages and inflation, particularly food prices, exacerbate a volatile political situation; insufficient revenue generation hampers the ability of the government to provide needed services; and Pakistan's inability to economically engage its people is increasing the appeal of extremists. Long term stability rests upon the promise of increasing economic growth and ensuring that disaffected sections of the population in conflict and flood areas who may be inclined to support terrorism are included. Economic opportunity and job creation are essential to furthering the United States Government's (USG) strategic objectives in Pakistan which include the development of a stable, well-governed and economically viable country. Well designed and targeted economic development activities that alleviate Pakistan's immediate challenges and support economic freedom and development will have the greatest potential to provide employment opportunities and increase incomes of Pakistan's people. USAID activities in Pakistan will support public sector, private sector and civil society efforts to expand economic opportunities for micro, small, medium enterprises, train workforce, remove barriers to investment and trade, transform agriculture, and improve access to energy throughout the country.

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the U.S. Foreign Assistance Framework at the Program Area level.

The activities described in this annex to be carried out through this Agreement continues and compliments the projects that have been implemented under the Strategic Objective Grant Agreement for Economic Growth (No. 391-006), dated August 18, 2003. Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement

III. Program Areas/Illustrative Expected Results

To support the broad goal of increased inclusive and sustainable growth in Pakistan through increased competitiveness and increased economic opportunity, the Pakistan/USAID partnership

will support programs aimed at six key areas: 1) Expanded Enterprise Growth; 2) Improved Business Enabling Environment; 3) Improved Effectiveness of Core Financial Institutions; 4) Improved Delivery of Financial Services; 5) Increased Transparency and Capacity for Trade; and 6) Improved Workforce Development Systems.

Program activities will be aimed at achieving significant results which will include, but not be limited to:

- Businesses in flood and conflict affected areas restored to pre-flood revenue levels;
- Policies reformed and implemented in-line with global best-practice to increase economic activity;
- Improved collateral and credit registries with greater participation from businesses;
- Increasing availability of financial services to small and medium enterprises;
- Increased legitimate trade and reduced informal trade along Pakistan/Afghanistan border due to enhanced customs procedures;
- Youth from flood and conflict affected areas employed due to USG-supported vocational training.

IV. Illustrative Activities

Assistance will complement USG efforts to help the Pakistan government restore critical infrastructure in power, agriculture, water and other sectors. USG will support Economic Opportunities to help Pakistanis in flood and conflict affected areas recover and rebuild their livelihoods and businesses. Interventions will be based on market demand, rapid response to opportunities for immediate impact in flood affected and other vulnerable districts, and implementation through local public and private institutions. A special focus of assistance will be the rehabilitation of private firms in the flood and conflict affected districts of KPK, Southern Punjab, and Sindh, and Balochistan to help employment reach pre-crises levels. Assistance will be provided with an emphasis on showcasing improved government service delivery and will be delivered in conjunction with GOP entities such as the Provincial Reconstruction, Rehabilitation and Settlement Authority and the National Disaster Management Authority.

Without broad-based and continuing growth, however, it will be difficult to overcome the destabilizing forces that threaten Pakistan's political stability. Toward this end, USG will support the GOP policy reforms that will create the short and long term conditions for economic growth. The economic policy component will improve the business environment and government service delivery through improved planning and budgeting, international best practice policy reform, and streamlined regulations and procedures at the federal, provincial, and district levels. USAID will assist the GOP to address key revenue and expenditure reforms, including the GOP's efforts to corporatize and privatize state-owned enterprises that are draining the public coffers. USAID will provide technical support to GOP economic institutions that are drivers of reform. Collaboration with one or more non-governmental economic reform institution, including academic organizations will allow for objective and independent analysis of the critical policy constraints facing Pakistan's economy, and, by doing so, hold the GOP accountable for its economic reform.

Access to finance is widely acknowledged as a key enabler to broad based economic growth. Despite efforts by the GOP to broaden access to finance, access to financial products by small and medium sized enterprises (SMEs) remains limited in Pakistan. SMEs have difficulty verifying their incomes and banks are unwilling to reach out to new clients. Financial access is also low among the poor, women, and small and microenterprises in rural areas. Increasing access to finance will lead to greater investment on the part of enterprises and in-turn higher incomes for people in vulnerable areas – thereby increasing GOP legitimacy and supporting Pakistan's efforts to combat extremist threats. USG will support the State Bank of Pakistan's efforts, particularly in the area of SME lending. Activities supporting finance will undergird assistance provided by the USG and GOP in agriculture, energy, and other economic growth initiatives.

Improved management along the volatile Pakistan/Afghanistan border is vital to both economies and will boost regional trade, while discouraging the informal trade that undermines law and order in Pakistan. To this end the USG is supporting the GOP in facilitating improved infrastructure and customs harmonization at border posts. More broadly, the USG will support Pakistan's efforts to increase exports through improvements to its trade and investment enabling environment, including assistance to GOP's commercial facilitation efforts.

Vocational training programs will both benefit business and provide job opportunities for vulnerable youth from flood affected and other vulnerable areas. Training courses taught to international standards in targeted high-employment sectors will be coordinated through the private sector to ensure relevance and implemented predominantly through GOP funded training institutes.

Women are especially vulnerable given their generally marginalized status in society and major role in the household economy. Creating economic opportunities at the grassroots level through the micro and small enterprise sector as well as working to ensure that women have full access to employment and entrepreneurial opportunities will lead to job creation and increased income for women – and thereby also benefit Pakistan's overall economic growth.

V. Indicators

Both parties agree that it is critical to establish measurable indicators which be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through Implementation Letters as well as Agreements and Contracts with third parties. Key illustrative indicators in support of the proposed economic growth program areas are, but are not limited to:

- Improvement in the World Economic Forum ranking attributable to USG assistance
- Number of SMEs to qualify for formal sector financing
- Value of exports in target industries
- Improvement in critical World Economic Forum sub-indices attributable to USG assistance
- Border crossing procedures harmonized with Afghanistan

- Number of shipments to Afghanistan for which formal data (content, weight, value) was exchanged
- Number of Pakistani foreign commercial service officers trained
- Number of bankers trained in asset based lending practices
- Number of economic policy fora hosted by USAID
- Number of entities contributing to credit reference databases
- Number of institutions using credit reference databases
- Number of institutions contributing to credit reference databases
- Number of SME loans
- Value of SME loans
- Number of new financial services, instruments, products and channels through which they are offered
- Value of revenue for USG assisted Small and Medium Enterprises
- Value of revenue for USG assisted Microenterprises
- Number of demand-driven workforce curricula developed
- Number of participants from USG-funded workforce development programs placed in jobs.

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

A. Grantee

In implementing this Agreement, the Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. It is expected that the primary responsibility for implementation of Agreement activities will rest with the Ministry of Finance, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. Ministry of Finance will serve as USAID's primary counterpart to the Agreement. Ministry of Finance will also serve as the Grantee entity with primary responsibility for the program area entitled, "Improved Business Enabling Environment," with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. Pursuant to section 7.2 of the Agreement, the person holding the office of Secretary shall be the representative of the Grantee for purposes relating to these Program Areas.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

In each of these program areas, the Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. Each activity will be monitored and evaluated according to the specifications of each agreement. At minimum, these will include weekly updates, quarterly and annual reporting, and mid-term and final evaluations.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs and will support activities in all program areas. Ongoing USAID activities in: 1) Expanded Enterprise Growth; 2) Improved Business Enabling Environment; 3) Improved Effectiveness of Core Financial Institutions; 4) Improved Delivery of Financial Services; 5) Increased Transparency and Capacity for Trade; and, 6) Improved Workforce Development Systems that are national in scope will be expanded and amended as appropriate through the modification of existing and new contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Ministry of Finance increasing responsibility for this element as their capacity is built over time.

In addition to the District Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation of all program areas described herein throughout the life of the program.

Both parties agree to the importance of sound monitoring and oversight systems. When necessary, USAID will provide for a monitoring contract will provide monitoring and oversight assistance. In each province, the monitoring will include observing activities and training sessions, verifying people trained and clinics rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-C1**U.S Partnership with Pakistan**

2010-2014

in thousands of dollars

Sector	2010	2011	2012	2013	2014	Total
Economic Growth						
Trade and Investment						
Trade and Investment Enabling Environment	7,749,317	-	-	-	-	7,749,317
Financial Sector						
Financial Sector Enabling Environment	15,840,000	-	-	-	-	15,840,000
Financial Sector Capacity	10,165,000	-	-	-	-	10,165,000
Infrastructure						
Transport Services	700,000	-	-	-	-	700,000
Private Sector Competitiveness						
Business Enabling Environment	11,907,352	-	-	-	-	11,907,352
Private Sector Capacity	74,390,943	-	-	-	-	74,390,943
Economic Opportunity						
Strengthen Microenterprise Productivity	7,870,000	-	-	-	-	7,870,000
Program Development & Administrative Costs						
Direct Program Support - Program Design & Learning (PD&L)	1,100,000	-	-	-	-	1,100,000
Direct Program Support - Administration & Oversight (A&O)	2,500,000	-	-	-	-	2,500,000
Indirect Program Support - Program Design & Learning (PD&L)	1,000,000	-	-	-	-	1,000,000
Indirect Program Support - Administration & Oversight (A&O)	10,778,150	-	-	-	-	10,778,150
TOTAL	144,005,762	-	-	-	-	144,005,762

**Amplified Description – Economic Growth
Agriculture Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

While Pakistan's economy is the 48th largest in the world, estimated GDP growth for 2009 was estimated at just 2%, almost equal to the estimated population growth of 1.95 percent. Economic performance has suffered from a lack of investment particularly in the agricultural sector which is increasingly threatened by water scarcity, constant economically and politically debilitating power outages, and ongoing security challenges along the western border. Long term stability rests upon the promise of increasing economic growth and ensuring that disaffected sections of the population who may be prone to supporting terrorism are included. Economic opportunity and job creation are essential to furthering the Government of Pakistan (GOP) and the United States Government's (USG) strategic objectives in Pakistan which include the development of a stable, well-governed and economically viable country that enjoys improved relations with its neighbors.

A modern and regionally competitive economy, particularly in the agricultural sector, is the single most important engine to produce jobs and raise incomes for the majority of Pakistan's impoverished citizens. Building on past programs, USAID will assist the Government of Pakistan in revitalizing the agriculture sector through rehabilitation of infrastructure and public sector buildings supporting agriculture.

A particular focus will be on helping to strengthen and expand the operational capabilities of GOP and other Pakistani institutions to improve their program management, oversight, evaluation, and accountability skills. Various projects and programs will also strengthen academic, economic, agricultural research, and other institutional linkages between Pakistan, the U.S., and the rest of the global community. Key elements to the agriculture work will be "high impact" infrastructure projects and private sector growth.

In addition to the agriculture challenges Pakistan's agricultural section already faced the disastrous floods of July and August 2010, exacerbated the existing problems within the sector, and created new challenges. The GOP Ministry of Agriculture estimates that the floods have resulted in a loss of 37% of the rice crop, 17% of the cotton crop, and 15% of sugarcane. The wheat crop was harvested before the floods, but one million metric tons of stored wheat has been damaged. Large numbers of rural families have been displaced and farmers are out of work. The tertiary canal systems in the Indus valley have been heavily damaged with lesser damage to

the secondary and primary systems. The road system has also been heavily damaged which undermines the ability to deliver of the government and donors to deliver relief assistance to rural communities as well as eventually providing access to markets once production is restored. The food security, livelihoods, and health of many rural Pakistanis are threatened.

Pakistan's challenge, and that of its partners, is to speedily respond to the disaster relief, recover and reconstruction needs of the rural populations affected by the floods across an immense area. Coordination among all government agencies at the national, provincial and local levels, as well as among the donors and concerned NGOs, is an absolute must. Once the flood water recedes the returning rural population and those who never left will need support in terms of key agriculture inputs, repair and rehabilitation of irrigations and livelihood opportunities.

The work to be carried out through this Agreement continues and compliments the projects implemented in the past year under previous agreements: Strategic Objective Grant Agreements: Economic Growth (No. 391-006, dated August 5, 2003) while seeking to help re-establish Pakistan's agriculture system "build back better and build back smart". Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the SOAGs since 2002.

In addition to agricultural activities, USAID will also focus on water and energy issues, pre-flood and post-flood in order to fully support the agricultural sector's return and associated job creation.

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework):

1. *Economic Growth*: To generate broad-based economic growth, including the sustainable management of renewable natural resources on which it depends.

III. Program Areas/Illustrative Expected Results

The Pakistan/USAID partnership will support programs aimed at four key areas: 1) sustainable, transformative agricultural growth in target sectors; 2) more efficient land and water management and use over expanded areas; 3) increased productivity of key agriculture sectors; and 4) restored and improved livelihoods. To address these areas, the Partnership will have to help Pakistan minimize or manage the flood-caused damage, as it prepares to move forward with a more efficient, productive and sustainable agricultural sector.

Program activities will be aimed at achieving important results which will include, but not be limited to:

- I. Increased, inclusive, and sustainable economic growth in target areas
 - a. Building and rebuilding towards a sustainable, transformative agricultural growth in target sectors
 - b. More efficient land and water management and use over expanded areas
 - c. Increased productivity of key agriculture sectors
 - d. Restored and improved livelihoods

IV. Illustrative Activities

The partnership aims to advance the modernization of Pakistan's agriculture sector. Investments in agriculture will address sector irrigation issues and will improve the profitability of agricultural markets, particularly the dairy/livestock subsector. Substantive impact, high visibility U.S. agriculture programs will include rehabilitation and/or expansion of irrigation to increase the number of farmers with access to irrigated land and updated water management systems that create economic growth. Small-scale irrigation and drip irrigation systems will be prioritized. U.S. assistance for agriculture will link low-income farm families with the benefits of improved techniques and markets through support for agricultural research, producer organizations, extension services, and marketing, especially in areas vulnerable to extremism. The agriculture program will also capitalize on opportunities to improve productivity in livestock, dairy, horticulture and basic food grains as well as the related processing and marketing enterprises to support those industries. Women make up a significant portion of small farmers in Pakistan, especially in the livestock sector, and will benefit from U.S. efforts to improve productivity and link farmers to markets. The U.S. Government will work with Pakistan's Ministry of Food, Agriculture and Livestock and provincial agriculture departments to assist in the design and implementation of these activities.

V. Indicators

Both parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through program implementation letters. Key illustrative indicators in support of the proposed agriculture program areas may include but are not limited to:

Sustainable transformative agriculture growth in target sectors

1. Crop value per unit of land in target sectors
2. Total production value per unit of land in target areas
3. Crop yield per unit of land in target sectors

More efficient land and water management and use over expanded areas

1. Water storage capacity in target areas as a result of USG assessment
2. Number of hectares under cultivation/unit of water ("drop per crop") in target areas
3. % of total hectares cultivated in target area under irrigation
4. Number of hectares under improved technologies or management practices as result of USG Assistance

Increased productivity of key agriculture sectors

1. Gross sales of key sectors supported with USG assistance disaggregated by product (e.g., dairy, horticulture, grain)
2. Increased yields of key products (e.g., dairy)

Restored and improved livelihoods

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the objective.

A. Grantee

The Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. It is expected that the primary responsibility for implementation of Agreement activities will rest with the Economic Affairs Division of the Ministry of Finance, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. The Grantee's role in achieving planned results also will include helping to leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities. Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart for the Agreement.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. Each activity will be monitored and evaluated according to the specifications of each agreement. At minimum, these will include weekly updates, quarterly and annual reporting, and mid-term and final evaluations.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs and will support all program areas. Ongoing USAID activities in agriculture that are national in scope will be expanded and

amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Government of Pakistan increasing responsibility for this element as their capacity is built over time.

In addition to the District Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation throughout the life of the program.

Both parties agree to the importance of sound monitoring and oversight systems. When necessary, USAID will provide for a monitoring contract will provide monitoring and oversight assistance. In each province, the monitoring will include observing activities and training sessions, verifying people trained and clinics rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-C2

U.S Partnership with Pakistan						
2010-2014						
(Million U.S. Dollars)						
Sector	2010	2011	2012	2013	2014	Total
<u>Economic Growth</u>						
<u>Agriculture</u>						
Agricultural Enabling Environment	2,000,000	-	-	-	-	2,000,000
Agricultural Sector Capacity	44,341,613	-	-	-	-	44,341,613
<u>Program Development & Administrative Costs</u>						
Direct Program Support - Program Design & Learning (PD&L)	1,300,000	-	-	-	-	1,300,000
Direct Program Support - Administration & Oversight (A&O)	1,300,000	-	-	-	-	1,300,000
Indirect Program Support - Program Design & Learning (PD&L)	3,100,000	-	-	-	-	3,100,000
Indirect Program Support - Administration & Oversight (A&O)	4,452,207	-	-	-	-	4,452,207
TOTAL	56,493,820	-	-	-	-	56,493,820

**Amplified Description – Economic Growth
Energy Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Energy is a critical political and economic issue in Pakistan. Insufficient natural gas and interruptions in the supply of electricity commonly last for 10-12 hours, leading to riots in urban areas throughout the country. During the summer of 2010, about 5,000 MW of system peak demand was not met due to a number of factors including fuel shortages, lack of funds to buy fuel, and power generation capacity shortfalls. Debt within the power sector is enormous; handling the debt is crowding out other necessary expenditures to other public sectors such as health and education.

Expanding the production of and access to electricity and natural gas are central components of The Enhanced partnership between the U.S. and Pakistan. Efficient production and on-demand access to both forms of energy are essential for industrial and business activities, job creation, economic development in general and socio-political stability. Beyond these direct benefits, such access to electricity and natural gas also improves the lives of Pakistani citizens and demonstrates the long-term partnership between the U.S. and Pakistan. As such, the two countries will work extensively in this sector with the provision of power-production infrastructure and critical policy reforms. This partnership will support quick impact programs and projects in such areas as rehabilitation and modernization of existing facilities; support of carefully selected public and private investments; improvement of energy sector policies, governance, performance and efficiency; and financial self-sufficiency of the sector through full cost-based tariffs and other full-cost recovery mechanisms. Rapid improvement in the governance and self-sufficiency of the energy sector is essential for accelerated social and economic development and visible improvements in the quality of life of all Pakistanis.

In the face of Pakistan's already serious energy problems, the disastrous floods of July and August 2010, which affected as many as 20 million people, have created their own risk and threaten to exacerbate the problems of energy. Preliminary flood damage assessment of the Ministries of Water and Power and Petroleum and Natural Resources show the direct and indirect damage to exceed \$200 million (US\$175 million to the power system and US\$25 million to the oil and gas system including closely related roads and bridges and other general infrastructure. Direct damage is mainly to system facilities; indirect damage is mainly to closely related roads and bridges and other important support infrastructure.

A rough breakdown of damage by category is as follows:

- GOP-owned dams and hydropower generation facilities (US\$35 million)
- GOP-owned thermal power generation, transmission and distribution facilities (US\$125 million)
- privately-owned national power grid power generation plants (US\$15 million)
- Oil and gas system mainly closely related roads and bridges and other general infrastructure that might limit or prevent the supply of liquid fuels to power plants, industry and end-use customers (US\$25 million)

The partnership's energy activities as originally contemplated have been jointly identified and selected in the context of the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the U.S. Foreign Assistance Framework at the Program Area level.

The activities described in this annex to be carried out through this Agreement continue and complement the projects that have been implemented under the Strategic Objective Grant Economic Growth (391-006). Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement, as well as contribute to restoring the key elements of the country's energy sector that have been damaged or destroyed or disrupted by the disastrous floods of 2010. In this context, some already announced and planned energy projects and activities including some mentioned herein will be delayed to make funds available for immediate responses to the most urgent flood damage repair and replacement activities.

III. Program Areas/Illustrative Expected Results

Increased, Inclusive, and Sustainable Economic Growth in Target Areas

The Pakistan/USAID partnership will support programs aimed at the following key areas: 1) Reduce the Gap Between Energy Supply and demand including for still unsupplied citizens; 2) Rehabilitation and modernization of existing energy facilities; 3) Support of carefully selected public and private investments; 4) Improvement of energy sector policies, governance, performance and efficiency; and 5) achievement on financial self-sufficiency of the sector through full cost-based tariffs and other full-cost recovery mechanisms.

IV. Illustrative Activities

USAID will work with the GOP to develop conventional and alternative energy resources, improve the institutional framework, and increase private sector investment in energy generation, rehabilitate thermal and hydropower plants, improve the performance of power distribution companies and support energy efficiency initiatives. USG funding will also support the Ministry of Water and Power and the Ministry of Petroleum, and Natural Resources to bring electric power and indigenous fuel projects to financial closure. It will maximize the multiplier effect of USG seed money with strong local and international private sector and USG financing from export credit agencies.

V. Indicators. Both parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through Implementation Letters. Key illustrative indicators of the achievement of authorized and planned energy program objectives and targets are:

- Reduction of energy sector Supply and Demand imbalance as follows
 - Increase power generation capacity through the rehabilitation of power generation units in four power generation plants (404 MW by December 2011).
 - Increase power generation capacity through support of the completion of two hydropower generation projects (34 MW by December 2012)
 - Reduce demand for electricity through the replacement of inefficient irrigation tubewell motor pump sets with more efficient sets (45 MW by March 2012)
 - Reduce demand for electricity through improvement of in the governance, operational and financial performance, reduction of energy losses of GOP-owned power distribution companies (DISCOs) (1,000 MW by December 2014)
 - Increase power generation capacity through support of the promotion and bringing of new efficient power generation projects to financial closure (2,000 MW by December 2014)
 - Reduce the demand for natural gas by improving the efficiency of natural gas consuming domestic appliances (20 MCF/year)
 - Increase natural gas supply through support of accelerated development of indigenous conventional and tight gas reserves and coal bed methane potential (1,000 BCF by December 2014).
 - Increase natural gas supply through support of the promotion and bringing of liquefied natural gas (LNG) importation projects (150 BCF by December 2014).
 - Major movement toward full cost-based tariffs for government and electric tubewell consumers and reduction of at least 50% in the current level of power sector subsidies.

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

A. Grantee

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so

as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. Each activity will be monitored and evaluated according to the specifications of each agreement. At minimum, these will include weekly updates, quarterly and annual reporting, and mid-term and final evaluations.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs and will support all program areas. Ongoing USAID activities in agriculture that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Government of Pakistan increasing responsibility for this element as their capacity is built over time.

In addition to the District Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation throughout the life of the program.

Both parties agree to the importance of sound monitoring and oversight systems. When necessary, USAID will provide for a monitoring contract will provide monitoring and oversight

assistance. In each province, the monitoring will include observing activities and training sessions, verifying people trained and clinics rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-C3

U.S Partnership with Pakistan						
2010-2014						
Million U.S. Dollars						
Sector	2010	2011	2012	2013	2014	Total
Economic Growth						
Infrastructure (Energy)						
Modern Energy Services	40,746,413	-	-	-	-	40,746,413
Program Development & Administrative Costs						
Direct Program Support - Program Design & Learning (PD&L)	400,000	-	-	-	-	400,000
Direct Program Support - Administration & Oversight (A&O)	700,000	-	-	-	-	700,000
Indirect Program Support - Program Design & Learning (PD&L)	500,000	-	-	-	-	500,000
Indirect Program Support - Administration & Oversight (A&O)	2,478,587	-	-	-	-	2,478,587
TOTAL	44,325,000	-	-	-	-	44,325,000

**Amplified Description -- Stability
for the
FATA Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Development Assistance for inclusive social and economic development in Pakistan's remote Federally Administered Tribal Areas (FATA) bordering Afghanistan is critical to meeting the objectives of the United States Government (USG) and the Government of Pakistan (GOP) for the Global War on Terror. Building the capacity of GOP civilian institutions to solidify gains made in post-conflict areas and expand services to citizens is the cornerstone of USAID efforts in FATA. U.S. assistance will help the Government of Pakistan improve services to poor and vulnerable communities, reducing the space for extremist groups to gain popular support by doing so instead.

USAID's FATA Development Program (FDP) complements the strategic objectives of the USAID/Pakistan Mission in the areas of education, democracy and governance, economic growth, and health: increased knowledge, training, and infrastructure to improve the quality of education for females and males; more participatory, representative, and accountable democracy; increased economic opportunities; and improved health in vulnerable populations. USAID is helping the FATA Secretariat in strengthening the planning and implementation of development programs, and improving outreach to the people of the FATA. Capacity building of local and national institutions needs to continue to be strengthened, with increased focus on service delivery (including healthcare, education, water and sanitation, clean drinking water etc.) and the development of institutional cultures that reduce patronage, minimize corruption and maximize results. Supporting community-level economic and social development is critical to drawing FATA into the mainstream. It will be essential to link medium-term community development efforts with longer-term sustainable development, so the FDP supports broad-based development in FATA. The FDP will:

- *Build Long-Term Capacity:* Capacity development is the foundational activity on which initiatives in FATA should be built. As such, the capacity building effort will address the following key areas
- *Improve core operational functions:* The FDP will focus on developing core operational functions among implementing organizations. These core functions include: strategy development, policy formulation, procurement, financial management, and monitoring
- and evaluation. Strengthening core functions will improve the capacity of public sector organizations to improve service delivery over time.

- *Improve access to technology and best practices:* The FDP supports the access to appropriate technologies and international best practices that assist Pakistani organizations to deliver better services. An illustrative example includes assistance in providing access to programs in public outreach, skills development, literacy, community mobilization, and the social sectors.
- *Improve media outreach:* The FDP will support GOP efforts to improve media outreach in FATA. This will include assistance in the development of a media strategy, capacity building, and assistance in developing specific products and programs for media and community outreach.

In the face of Pakistan's already serious stability situation, the disastrous floods of July and August 2010, which affected as many as 20 million people, have created their own risks, and threaten to exacerbate the problems of stability. In particular, in the FATA, the dislocation of communities and destruction of livelihoods creates an opportunity for increased recruitment by violent militant groups. It furthermore complicates the GOP's efforts to return IDPs from previous military operations to their communities, in areas such as Bajaur and South Waziristan.

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the U.S. Foreign Assistance Framework at the Program Area level.

The activities described in this annex to be carried out through this Agreement continue and compliment the projects that have been implemented under the Strategic Objective Grant Agreement for FATA Program Assistance Agreement (391-010); Project Support Agreement (391-011). Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement, as well as contribute to restoring the key elements of the country's health system destroyed or disrupted by the disastrous floods of 2010.

III. Program Areas/Illustrative Expected Results

Increased Stability in Conflict and Post-Conflict Zones

The Pakistan/USAID partnership will support programs aimed at three key areas: 1) Increased Opportunities for Involvement in Non-Militant Activities; 2) Increased Legitimacy and Public Support of Government; and 3) Social and Economic Impact of Conflict Reduce. Note: These will be PMP Intermediate Results that the sector teams have agreed upon.

IV. Illustrative Activities

Good Governance

- *Improving coordination between government institutions:* Unity of effort will need to be established between all implementing organizations, including Political Agents, provincial and Agency government organizations and security forces. The FDA will support joint planning implementation and monitoring between civil and military

organizations in order to more effectively address the security and developmental needs of GOP objectives.

- *Improving Local Governance:* Over time, more effective local governance structures need to be introduced as the GOP proceeds with FATA development. Activities will be undertaken that support community initiatives and link these to local government, which is currently represented by the Political Agent. These activities will lay the groundwork for the development of local governance institutions within FATA. The FDA will promote "single purpose" community groups, such as those organized around school administration, water use, or communal land use. USAID will also provide support to the development of municipal government structures in key FATA cities, helping to transform them into sustainable urban centers, while introducing the concept of citizen oversight over operations.
- *Enhancing the Government's capacity to deliver essential services in FATA:* Capacity building of local and national institutions will continue to be strengthened, with increased focus on service delivery (health, education clean drinking water etc.) and the development of institutional cultures that reduce patronage, minimize corruption and maximize results.

Civil Society

- Assistance to local NGOs to improve capacity in coordination with the FATAT Secretariat and FDA to include the private sector and civil society organizations in service delivery.
- Civil Society and Rural Support Programs supporting the capacity of local government officials and communities engagement with each other.
- Assistance to Pakistani civil society organizations to advocate targeted policy reforms, promote religious freedom and societal acceptance of religious diversity, and monitor public sector performance.
- Assistance to improve labor rights standards, eliminate the worst forms of child labor, address the persistent problem of bonded labor, and combat trafficking-in-persons.

Health

- USG assistance will improve the health service delivery in selected major towns and cities of the FATA. The proposed activity is part of a larger *Tribal Areas Rural to Urban Centers Initiatives* that includes investments in infrastructure, security, capacity building, equipment, financial and human resources in these urban areas. The GOP hopes to generate a variety of opportunities for strengthening the quality of health services for the regions' population.

- Quick impact MCH and basic health initiatives focused on improving community health through the rebuilding of primary and secondary health care facilities, the repair of community water and sanitation facilities and improving the capacity of health care delivery workers.

Education

- Reconstruction of damaged schools and education facilities and improving access to education.
- Support to the Education Directorate of the FATA Secretariat to encourage teachers to teach in public schools in the FATA by providing incentives, i.e. salary supplements and training opportunities.

Economic Growth

Trade and Investment

- Support in establishing Market-Led Growth and an enabling environment for private sector investment in FATA.
- Support in establishing an appropriate legal and regulatory environment for commercial law and taxation, including assistance to Reconstruction Opportunity Zones (ROZs) in FATA
- Promotion of small, medium, and micro-enterprises. As FATA is a natural resource-based economy, laws and policies to ensure the sustainability of vital forest, water and mineral resources need to be promulgated and enforced.

Infrastructure

- Assistance in rebuilding and improving economic infrastructure in the FATA, i.e. rehabilitation and construction of roads, power supply, water and irrigation systems.
- Infrastructure to improve transport of goods and services in the FATA. Provide improved power service to the SWA Agency capital and provide water for power and irrigation to remote and arid areas

Agriculture

- Support to rapid rehabilitation of productive assets, improved water management, and employment and income generation through productivity and quality enhancement and market access.
- Provision of services, commodities and technical assistance to FATA farmers and capacity building of GOP extension agents to improve service delivery.

- Procurement and distribution of high milk producing cows, sheep, and goats, as well as vaccination to control common diseases and internal parasites.

Private Sector Competitiveness

- Micro-enterprise development through micro credits and micro-grants and larger community loans to promote entrepreneurship, employment and economic growth.
- Public outreach programs to provide information to remote villages. Programs can provide information about various topics, such as agriculture, livestock, health and education, as well as important public information.

Economic Opportunity

- Skills development involving a combination of vocational training, on-the-job training, and informal skills development focused on employment generation for both men and women.
- Assistance to industries and business sectors presenting high potential for economic growth and employment, e.g. marble, gem, and leather goods industries in FATA.

Protection, Assistance, and Solutions

- Cash assistance programs with the GOP to accelerate families' return home and restoration of damaged homes.
- Reestablishment of health services to refurbish basic health units, replace equipment, provide needed supplies, and provide incentives for health professionals to serve in difficult areas.
- High impact and quick implementation of rehabilitation projects to restore basic economic and social infrastructure.

Migration Management

- Rehabilitation of small- scale infrastructure such as water supply and sanitation schemes, rural roads/bridges, irrigation channels; and grants for revitalizing agriculture and livestock, restoration/promotion of orchards, tourism, hotel industries and mineral development.
- Cash assistance program for families with fully or partially damaged homes.

V. Indicators

Both parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions,

data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through Implementation Letters. Key illustrative indicators in support of the proposed health program areas are:

- Increased Opportunity for Involvement in Non-Militant Activities
 - Improved Skills of Youth
 - Increased Employment Opportunities
 - Increased Connectivity within and outside of Pakistan
- Increased Legitimacy and Public Support of the Government
 - Local Government Responses to Community Requests Leading to Economic Activity
 - Improved Delivery of Essential Services in Targeted Areas
 - Communities Engaged in Reconstruction Activities
- Social and Economic Impact of Conflict Reduced
 - IDP Return and Resettlement Facilitated
 - Assistance Provided to IDPs and Other Victims of Conflict
 - IDPs and Other Victims of Conflict Engaged in Recovery Efforts

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

A. Grantee

The Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart for the Agreement, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. The Grantee's role in achieving planned results also will include helping to leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. Each activity will be monitored and evaluated according to the specifications of each agreement. At minimum, these will include weekly updates, quarterly and annual reporting, and mid-term and final evaluations.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs and will support all program areas. Ongoing USAID activities in agriculture that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Government of Pakistan increasing responsibility for this element as their capacity is built over time.

In addition to the District Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation throughout the life of the program.

Both parties agree to the importance of sound monitoring and oversight systems. When necessary, USAID will provide for a monitoring contract will provide monitoring and oversight assistance. In each province, the monitoring will include observing activities and training

sessions, verifying people trained and clinics rehabilitated, performing data quality spot checks, and other means of verification that programs are performing as planned and reported.

VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-D1

U.S Partnership with Pakistan						
2010-2014						
U.S. Department of State						
Sector	2010	2011	2012	2013	2014	Total
FATA (Multi Sector)						
Good Governance						
Public Sector Executive Function	5,000,000	-	-	-	-	5,000,000
Local Government and Decentralization	10,000,000	-	-	-	-	10,000,000
Civil Society						
Media Freedom and freedom of Information	8,752,600	-	-	-	-	8,752,600
Education						
Basic Education	5,000,000	-	-	-	-	5,000,000
Infrastructure						
Transport Services	58,000,000	-	-	-	-	58,000,000
Modern Energy Services	-	-	-	-	-	-
Economic Opportunity						
Strengthen Microenterprise Productivity	12,000,000	-	-	-	-	12,000,000
Agriculture						
Agricultural Sector Capacity	-	-	-	-	-	-
Program Development & Administrative Costs						
Direct Program Support - Program Design & Learning (PD&L)	80,000	-	-	-	-	80,000
Direct Program Support - Administration & Oversight (A&O)	7,130,000	-	-	-	-	7,130,000
Indirect Program Support - Administration & Oversight (A&O)	5,302,112	-	-	-	-	5,302,112
TOTAL	111,264,712	-	-	-	-	111,264,712

**Amplified Description – Stability
for the
KPK Program**

I. Introduction

This annex describes the activities to be undertaken and the progress and achievements to be made with funds obligated under this Agreement. Nothing in this annex shall be construed as amending any of the definitions or terms of the Agreement.

II. Background

Development assistance for social and economic development in the Khyber Pakhtunkhwa (KPk) in Pakistan is critical to meeting the objectives of the U.S. Government and the Government of Pakistan (GOP). This assistance will help to constrain the appeal of extremism and incidence of terrorism in the province through geographically targeted assistance, promoting more effective, democratic and transparent governance, strengthening the business environment and private sector leadership, improving the education and health service delivery, and supporting sound management and implementation of infrastructure projects to encourage sustainable development. All interventions will be undertaken to both achieve short-term visible and measurable results as well as to develop the capacity of local institutions and district level governmental entities to sustain results. Areas and districts of focus will be based on need, the availability of resources, and discussions with the Government of KPk and the Provincial Reconstruction, Rehabilitation and Settlement Authority (PaRRSA)

Developmental assistance will support permanent and sustainable change in Pakistan. The objective is to develop local institutions, governance structures, and economic models that the KPk inhabitants can use to sustain economic growth, social service improvements and political stability. It will be essential to link medium-term community development efforts with longer-term sustainable development, so the KPk Government supports broad-based development. Key areas that will be addressed are:

Capacity development is the foundational activity on which initiatives in KPk should be built. As such, the capacity building effort will address key areas in developing core operational functions among implementing organizations, improving access to technology and best practices, and improving media outreach.

In dialogue with PaRRSA and other GOP officials, USG assistance will focus on education (school reconstruction), health, and water sectors for priority reconstruction assistance. Priority will be based on: 1) contribution to restoring the delivery of basic services to the people of the region; 2) pace of implementation; 3) visibility, in terms of

both GoP response and USG contribution; and 4) fit with other USG Strategic Objectives in Pakistan.

In implementing developmental assistance in KP, it should be understood that its timeframe and ultimate success is contingent on a myriad of complex factors. The challenges posed by these factors are not insurmountable, but success will require a flexible and innovative approach.

In the face of Pakistan's already serious stability, the disastrous floods of July and August 2010, which affected as many as 20 million people, have created their own risk and threaten to exacerbate the problems of stability. In particular, in the FATA, the dislocation of communities and destruction of livelihoods creates an opportunity for increased recruitment by violent militant groups. It furthermore complicates the GOP's efforts to return IDPs from previous military operations to their communities, in areas such as Bajaur and South Waziristan.

USAID's activities are contemplated in the context of the U.S. Foreign Assistance Framework (Framework). The activities described below are organized under the U.S. Foreign Assistance Framework at the Program Area level.

The activities described in this annex to be carried out through this Agreement continue and compliment the projects that have been implemented under the Strategic Objective Grant Agreement for FATA Program Assistance Agreement (391-010); Project Support Agreement (391-011); and Cash Transfer Agreement (391-012). Under the identified Program Areas, this Agreement will build on the efforts the Parties have carried out through the Strategic Objective Grant Agreement, as well as contribute to restoring the key elements of the country's health system destroyed or disrupted by the disastrous floods of 2010.

III. Program Areas/Illustrative Expected Results

Increased Stability in Conflict and Post-Conflict Zones

The Pakistan/USAID partnership will support programs aimed at three key areas: 1) Increased Opportunities for Involvement in Non-Militant Activities; 2) Increased Legitimacy and Public Support of Government; and 3) Social and Economic Impact of Conflict Reduce. Note: These will be PMP Intermediate Results that the sector teams have agreed upon.

IV. Illustrative Activities

Democracy and Governance

Rule of Law and Human Rights

- ROL assessment including a survey of judicial training needs, court efficiency, and provincial specific judicial projects with particular emphasis on areas impacted by conflict and/or with weak government presence.

- Court administration improvements and the implementation of a case management tracking system to address the tremendous case backlogs that are undermining confidence in the justice system.
- USAID will support peer-to-peer exchanges between Pakistani and American judges, a US/Pakistan Judicial Exchange that sends Pakistani judges to the US for prosecutor training and specialized training on case development and police/prosecutor cooperation.
- Under a targeted gender initiative, USAID will support Pakistani organizations to receive grants for carrying out work related to promoting women's rights; gender equity in the civil, political, economic and social realms; and ending gender-based violence.

Good Governance

- Improving Local Governance and Enhancing Government Capacity: Activities will be undertaken that support community initiatives and link these to local government. These activities will lay the groundwork for the development of local governance institutions.
- Assistance to "single purpose" community groups, such as those organized around school administration, water use, or communal land use.
- Capacity building of local and national institutions will with increased focus on service delivery (health, education clean drinking water etc.) and the development of institutional cultures that reduce patronage, minimize corruption and maximize results.
- Construction of integrated government complexes in previously under-served areas of the Malakand division, with a particular focus on newly-created tehsil-level administrative units.

Civil Society

- The USAID program will work closely with the Government of KP to include the private sector and civil society organizations in service delivery. USAID will support Pakistani civil society organizations (CSOs) to advocate for targeted policy reforms and monitor public sector performance.
- Support to strengthen CSOs' management, planning and public sector engagement capacities and assistance will be provided to improve the independence and professionalism of the media.
- Civil Society and Rural Support Programs supporting the capacity of local government officials and communities engagement with each other.

- Assistance to Pakistani CSOs to advocate targeted policy reforms, promote religious freedom and societal acceptance of religious diversity, and monitor public sector performance.
- Assistance to improve labor rights standards, eliminate the worst forms of child labor, address the persistent problem of bonded labor, and combat trafficking-in-persons.

Health

- USG assistance will improve the health service delivery in selected major towns and cities of the KP. The GOP hopes to generate a variety of opportunities for strengthening the quality of health services for the regions' population.
- Recovery, staffing and supplies for the GOP Departments of Health including, but not limited to: recruitment and retention of skilled medical and health staff; rehabilitation and renovation of damaged health facilities; provision of medical equipment, supplies and medicines.
- Quick impact MCH and basic health initiatives focused on improving community health through the rebuilding of primary and secondary health care facilities, the repair of community water and sanitation facilities and improving the capacity of health care delivery workers.
- Water and Sanitation Activities including, but not limited to: reconstruction of damaged water and sanitation systems, including in schools and health facilities; construction of water filtration plants; and provision of point-of-use drinking water disinfectants to Internally Displaced Persons (IDP) populations as well as in particularly affected host communities.

Education

- Reconstruction of damaged schools and education facilities and improving access to education.
- Support to the Education Department to encourage teachers to teach in public schools in the KP by providing incentives, i.e. salary supplements and training opportunities.

Economic Growth

Trade and Investment

- Support in establishing Market-Led Growth and an enabling environment for private sector investment in the KP.

- Support in establishing an appropriate legal and regulatory environment for commercial law and taxation, labor laws including assistance to Reconstruction Opportunity Zones (ROZs).
- Promotion of small, medium, and micro-enterprises in the KPk through workforce development, enhancing market linkages, value chain development and Cluster/Sector development initiatives.
- Stone and Minerals development through technology upgrading to improve mining practices and processing.

Infrastructure

- Assistance in rebuilding and improving economic infrastructure in the KPk, i.e. rehabilitation and construction of roads, power supply, water and irrigation systems.
- Infrastructure to improve transport of goods and services in the KPk. Provide improved power service to the SWA Agency capital and provide water for power and irrigation to remote and arid areas

Agriculture

- Improve on- farm practices and water management by supporting development of high efficiency irrigation systems.
- Enhance agriculture productivity and profitability through better seed quality and crop diversification.
- Improve post harvest practices and development of better storage facilities.
- Support development of agro-based industry and agribusiness including dairy industry, poultry, fruit processing etc.
- Agriculture and water policy, agribusiness development and public private partnership framework.
- Support to rapid rehabilitation of productive assets, improved water management, and employment and income generation through productivity and quality enhancement and market access.
- Provision of services, commodities and technical assistance to KPk farmers and capacity building of GOP extension agents to improve service delivery.
- Agriculture Technical Training.

- Quick impact community-prioritized small-scale infrastructure rehabilitation and development, and medium-term initiatives to rehabilitate key agriculture infrastructure damaged as a result of armed conflict.

Private Sector Competitiveness

- Micro-enterprise development through micro credits and micro-grants and larger community loans to promote entrepreneurship, employment and economic growth.
- Public outreach programs to provide information to remote villages. Programs can provide information about various topics, such as agriculture, livestock, health and education, as well as important public information.

Protection, Assistance and Solutions

- Cash assistance programs with the GOP to accelerate families' return home and restoration of damaged homes.
- Re-establishment of health services to refurbish basic health units, replace equipment, provide needed supplies, and provide incentives for health professionals to serve in difficult areas.
- High impact and quick implementation of rehabilitation projects to restore basic economic and social infrastructure.

Migration Management

- Rehabilitation of small- scale infrastructure such as water supply and sanitation schemes, rural roads/bridges, irrigation channels; and grants for revitalizing agriculture and livestock, restoration/promotion of orchards, tourism, hotel industries and mineral development.
- Cash assistance program for families with fully or partially damaged homes.

V. Indicators

Both parties agree that it is critical to establish measurable indicators which can be used to gauge success in areas supported by activities under this Agreement. Targets, exact definitions, data sources, and other details related to these and additional indicators will be agreed upon and specified more precisely by the Parties through Implementation Letters. Key illustrative indicators in support of the proposed health program areas are:

- Increased Opportunity for Involvement in Non-Militant Activities
 - Improved Skills of Youth
 - Increased Employment Opportunities
 - Increased Connectivity within and outside of Pakistan

- Increased Legitimacy and Public Support of the Government
 - Local Government Responses to Community Requests Leading to Economic Activity
 - Improved Delivery of Essential Services in Targeted Areas
 - Communities Engaged in Reconstruction Activities
- Social and Economic Impact of Conflict Reduced
 - IDP Return and Resettlement Facilitated
 - Assistance Provided to IDPs and Other Victims of Conflict
 - IDPs and Other Victims of Conflict Engaged in Recovery Efforts

VI. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

A. Grantee

The Grantee will use its best efforts to ensure that the Objective is achieved as contemplated in this Agreement. Economic Affairs Division, Ministry of Economic Affairs and Statistics representing the GOP, will serve as USAID's primary counterpart for the Agreement, with the assistance and collaboration of USAID and various other private and public sector entities and nongovernmental organizations. The Grantee's role in achieving planned results also will include helping to leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

For overall coordination on the implementation of the projects, the Grantee entity will most likely delegate primary responsibility for purposes relating to the overall coordination of projects supporting this Objective.

The Grantee's role in achieving the results also will include helping leverage resources, coordinating efforts among donor-stakeholder partnerships, assisting in information transfer so as to reduce duplication of efforts, and encouraging a beneficial flow and dissemination of information in all areas related to achievement of the above activities.

B. USAID

USAID will be responsible for program funding and for contracting, disbursing and committing funds for the implementing agencies that will be in charge of executing the activities outlined above. USAID may change or contract with new project implementers at any time.

C. Additional Planning and Implementation Mechanisms

1. Each activity will be monitored and evaluated according to the specifications of each agreement. At minimum, these will include weekly updates, quarterly and annual reporting, and mid-term and final evaluations.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio will permit a quick response to essential needs and will support all program areas. Ongoing USAID activities in agriculture that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

3. *Grantee Implementation:* To the extent practicable, the Parties will endeavor to have projects implemented directly by Grantee upon terms and conditions agreed to between USAID and the Grantee.

VII. Monitoring and Evaluation

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Required data, the formats and frequency of acquisition, and storage will be agreed upon by USAID and the project implementers. For practical purposes, sampling methods along with case studies may be followed for performance monitoring and assessment. In-depth external evaluations and audits of particular activities may also be administered as needed to assess performance and make necessary adjustments. Funds under this Agreement may be used to finance such evaluations and audits. Monitoring and evaluation will be done jointly by the Grantee and USAID, with the objective of giving the Government of Pakistan increasing responsibility for this element as their capacity is built over time.

In addition to the District Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation throughout the life of the program.

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VIII. Funding

The illustrative financial plan for this annex is set forth in the attached Table 1-B. The Grant also includes funding for program administration and oversight expenses incurred

directly by USAID. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. In addition, after such financial plans have been approved by the Parties as part of this Agreement, changes in line items of such approved financial plans may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

Table 1-B to Annex 1-D2

U.S Partnership with Pakistan						
2010-2014						
in U.S. Dollars						
Sector	2010	2011	2012	2013	2014	Total
<u>KPK (Multi sector)</u>						
<u>Rule of Law & Human Rights</u>						
Justice System	7,000,000	-	-	-	-	7,000,000
<u>Good Governance</u>						
Local Government and Decentralization	7,500,000	-	-	-	-	7,500,000
<u>Health</u>						
Water Supply and Sanitation	-	-	-	-	-	-
<u>Education</u>						
Basic Education	28,000,000	-	-	-	-	28,000,000
<u>Private Sector Competitiveness</u>						
Private Sector Capacity	13,400,000	-	-	-	-	13,400,000
<u>Economic Opportunity</u>						
Strengthen Microenterprise Productivity	1,600,000	-	-	-	-	1,600,000
<u>Agriculture</u>						
Agricultural Sector Capacity	8,457,156	-	-	-	-	8,457,156
TOTAL	65,957,156	-	-	-	-	65,957,156

ANNEX 2
STANDARD PROVISIONS

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STANDARD PROVISIONS - ANNEX 2

Article A: Definitions and Program Implementation Letters.

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Pakistan Enhanced Partnership Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Program Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue implementation letters ("Program Implementation Letters") that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Program Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the Objective of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress toward the Objective, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. The Grantee will:

(a) Carry out the Agreement and the activities required to be undertaken directly (or caused to be undertaken) by the Grantee, or cause the Agreement and such activities to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective of the Agreement.

Section B.3. Utilization of Goods and Services.

Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement or as USAID may direct in Program Implementation Letters.

Section B.4. Taxation.

(a) General Exemption. The Agreement and the assistance hereunder are free from any taxes imposed under laws in effect in the territory of the Grantee.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members. Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Grantee and citizens of the Grantee, other than permanent resident aliens in the United States.

(3) Exemption 3. Taxes levied on the last transaction for the purchase of goods or services financed by USAID under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities financed by USAID under this Agreement.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.

(a) **Reports and Information.** The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) **Grantee Agreement Books and Records.** The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred directly by the Grantee under the Agreement, the receipt and use of goods and services acquired by the Grantee under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Grantee, the basis of award of contracts and orders made directly by the Grantee, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings. For the avoidance of doubt, this Section B.5(b) applies solely to Grant funds expended directly by the Grantee.

(c) **Grantee Audit.** If \$300,000 or more of USAID funds are expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines"; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in subsection (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) **Sub-recipient Audits.** The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" sub-recipients, as defined below, that receive funds in connection with a direct contract or agreement entered into directly with the Grantee pursuant to the activities contemplated by this Agreement.

(1) A "covered" sub-recipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as sub-recipients under USAID bilateral grant agreements and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered sub-recipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the sub-recipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of sub-recipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

(4) The Grantee shall ensure that covered sub-recipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether sub-recipients' audits necessitate adjustment of its own records; and require each such sub-recipient to permit independent auditors to have access to records and financial statements as necessary.

(e) Audit Reports. The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Other Covered Sub-recipients. For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) Cost of Audits. Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) Audit by USAID. USAID retains the right to perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review, or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement.

(i) Opportunity to Audit or Inspect. The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the

Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) Sub-recipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Sub-agreements with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

Section B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

Section B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Agreement, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Program Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

(a) Except as noted herein, or in a sub-agreement issued by USAID, Grant funds will be used to finance the cost of goods and services having their source and origin, and with respect to suppliers of goods and services, their nationality, in the United States. Exceptions to this requirement include local procurement transactions in accordance with USAID policy or procurements made after obtaining source, origin, and nationality waivers from USAID in writing. In contemplation of host country contracting, USAID will provide the details of its source, origin and nationality rules, including its local procurement policy, in a Program Implementation Letter.

(b) Local Currency Costs. Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required for the Agreement which meet the requirements of USAID's local procurement policy which will be provided in a Program Implementation Letter.

(c) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(d) Provisions concerning restricted and ineligible goods and services may be provided in a Program Implementation Letter.

(e) Transportation by air of property or persons financed under this Agreement will be on carriers holding United States certification; to the extent service by such carriers is available under the Fly America Act. This requirement may be further described by USAID in Program Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Agreement, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation; and

(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Agreement, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in Program Implementation Letters.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Program Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities financed

under the Agreement as USAID may specify, and construction contractors used by the Grantee for the Agreement but not financed under the Agreement, shall be acceptable to USAID.

Section C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Agreement. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Agreement, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Program Implementation Letters.

Section C.6. Transportation.

(a) In addition to the requirements in Section C.1(a), costs of ocean or air transportation and related delivery services may not be financed under the Agreement, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by USAID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the Grantee may be financed as a foreign exchange cost under this Agreement provided:

(1) such insurance is placed at the most advantageous competitive rate;

(2) such insurance is placed in a country which is authorized under Section C.1(a); and

(3) claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 935 as in effect at the time of replacement and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Agreement, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

Section C.9. Host Country Contracting. Any procurement by the Grantee financed by Grant funds shall be subject to the procedural requirements established by USAID's policies on host country contracting. In particular, such procurements shall be subject to the following requirements, in addition to those set forth in other sections of Article C (Procurement Provisions):

(a) USAID must certify the Grantee's procurement system based on an assessment in accordance with USAID policies before consideration of any contract anticipated to exceed the equivalent of \$250,000.

(b) USAID approval of contracting steps is required for certain types of contracts.

(c) USAID may require its approval of contracts not funded by USAID but having a substantial impact on activities funded by the Grant.

(d) Contracts and substantive amendments must be awarded on the basis of competitive procedures, including advertising, which vary according to USAID policy by the type and amount of the contract and the goods or services being procured.

(e) Grant funds may not be used to finance a contract in which the fee or profit increases without limitation as the cost of the contract increases, and may not be used to finance

engineering services contracts in which the price is set as a percentage of the actual construction cost.

(f) Contracts shall include the mandatory requirements and clauses required by USAID policy. In particular cases, USAID may require inclusion of additional clauses consistent with USAID policy.

(g) The requirements of Section B.5 shall apply to contracts. In addition, there shall be an audit when there is a basis for questioning contract representations in connection with (1) cost-reimbursable items in contracts that do not exceed \$300,000, and (2) contract requirements such as source and origin of goods and use of U.S.-flag carriers.

Details regarding these requirements may be described in Program Implementation Letters.

Article D: Disbursements.

Section D.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for the foreign exchange costs of goods or services required for the Agreement in accordance with its terms, by such of the following methods as may be mutually agreed upon:

(1) by submitting to USAID, with necessary supporting documentation as prescribed in Program Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for USAID to procure commodities or services on Grantee's behalf for the Agreement; or,

(2) by requesting USAID to issue letters of commitment for specified amounts directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with letters of commitment will be financed under the Agreement unless the Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to may also be financed under the Agreement.

Section D.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for local currency costs required for the Agreement in accordance with terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Program Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be purchased by USAID with U.S. Dollars. The U.S. Dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by USAID to obtain the local currency.

Section D.3. Other Forms of Disbursement. Disbursements may also be made through such other means as the Parties may agree to in writing.

Section D.4. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the country of the Grantee to any person for any purpose.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party thirty (30) days written notice. USAID also may terminate this Agreement in part by giving the Grantee thirty (30) days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefore.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefore.

(c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

Section E.3. Non-waiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section E.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a Party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous.

Section F.1. Investment Promotion.

(a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.2. Voluntary Family Planning.

The Parties agree that all USAID funds provided under this Agreement shall be used in accordance with applicable United States policy and statutory requirements relating to voluntary family planning projects, and that none of the USAID funds provided under this Agreement, or goods or services financed by such funds, may be used for:

- (a) the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions;
- (b) the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations; or
- (c) any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a method family planning.
- (d) The requirements of this Section are fully described below.

(1) Voluntary Participation and Family Planning Methods

(A) The Grantee shall take any steps necessary to ensure that USAID funds made available under this Agreement will not be used to coerce any individual to practice methods of family planning inconsistent with such individual's moral, philosophical, or religious beliefs. Further, the Grantee shall conduct its activities in a manner which safeguards the rights, health and welfare of all individuals who take part in the program.

(B) Activities which provide family planning services or information to individuals, financed in whole or in part under this Agreement, shall provide a broad range of family planning methods and services available in the country in which the activity is conducted or shall provide information to such individuals regarding where such methods and services may be obtained.

(2) Requirements for Voluntary Family Planning Projects

(A) A family planning "project" must comply with the requirements of this paragraph.

(B) A "project" is a discrete activity through which a governmental or nongovernmental organization or public international organization provides family planning services to people and for which funds obligated under this award, or goods or services financed with such funds, are provided under this Agreement, except funds solely for the participation of personnel in short-term, widely attended training conferences or programs.

(C) Service providers and referral agents in the project shall not implement or be subject to quotas or other numerical targets of total number of births, number of family planning acceptors, or acceptors of a particular method of family planning. Quantitative estimates or indicators of the number of births, acceptors, and acceptors of a particular method that are used for the purpose of budgeting, planning, or reporting with respect to the project are not quotas or targets under this paragraph, unless service providers or referral agents in the project are required to achieve the estimates or indicators.

(D) The project shall not include the payment of incentives, bribes, gratuities or financial rewards to (i) any individual in exchange for becoming a family planning acceptor or (ii) any personnel performing functions under the project for achieving a numerical quota or target of total number of births, number of family planning acceptors, or acceptors of a particular method of contraception. This restriction applies to salaries or payments paid or made to personnel performing functions under the project if the amount of the salary or payment increases or decreases based on a predetermined number of births, number of family planning acceptors, or number of acceptors of a particular method of contraception that the personnel affect or achieve.

(E) No person shall be denied any right or benefit, including the right of access to participate in any program of general welfare or health care, based on the person's decision not to accept family planning services offered by the project.

(F) The project shall provide family planning acceptors comprehensible information about the health benefits and risks of the method chosen, including those conditions that might render the use of the method inadvisable and those adverse side effects known to be consequent to the use of the method. This requirement may be satisfied by providing information in accordance with the medical practices and standards and health conditions in the country where the project is conducted through counseling, brochures, posters, or package inserts.

(G) The project shall ensure that experimental contraceptive drugs and devices and medical procedures are provided only in the context of a scientific study in which participants are advised of potential risks and benefits.

(H) With respect to projects for which USAID provides, or finances the contribution of, contraceptive commodities or technical services and for which there is no sub-agreement under paragraph (5), the organization implementing a project for which such assistance is provided shall agree that the project will comply with the requirements of this paragraph while using such commodities or receiving such services.

(I) (i) The Grantee shall notify USAID when it learns about an alleged violation in a project of the requirements of subparagraphs (C), (D), (E) or (F) of this paragraph; (ii) the Grantee shall investigate and take appropriate corrective action, if necessary, when it learns about an alleged violation in a project of subparagraph (F) of this paragraph and shall notify USAID about violations in a project affecting a number of people over a period of time that

indicate there is a systemic problem in the project; and (iii) the Grantee shall provide USAID such additional information about violations as USAID may request.

(3) Additional Requirements for Voluntary Sterilization Programs

(A) None of the funds provided under this Agreement shall be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any individual to practice sterilization.

(B) The Grantee shall ensure that any surgical sterilization procedures supported in whole or in part by this Agreement are performed only after the individual has voluntarily appeared at the treatment facility and has given informed consent to the sterilization procedure. Informed consent means the voluntary, knowing assent from the individual after being advised of the surgical procedures to be followed; the attendant discomforts and risks; the benefits to be expected; the availability of alternative methods of family planning; the purpose of the operation and its irreversibility; and the option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress, or other forms of coercion or misrepresentation.

(C) Further, the Grantee shall document the patient's informed consent by: (i) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (ii) when a patient is unable to read adequately, a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient and that the patient thereafter consented to the performance of the operation. The receipt of this oral explanation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall speak the same language as the patient.

(D) The Grantee must retain copies of informed consent forms and certification documents for each voluntary sterilization procedure for a period of three years after performance of the sterilization procedure.

(4) Abortion restrictions

(A) None of the USAID funds provided under this Agreement shall be used to finance, support, or be attributed to the following activities: (i) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (ii) special fees or incentives to any person to coerce or motivate them to have abortions; (iii) payments to persons to perform abortions or to solicit women to undergo abortions; (iv) information, education, training, or communication programs that seek to promote abortion as a method of family planning; and (v) lobbying for or against abortion. The term "motivate," as it relates to family planning assistance, shall not be construed to prohibit the provision, consistent with local law, of information or counseling about all pregnancy options.

(B) None of the USAID funds provided under this Agreement shall be used to pay for any biomedical research, which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a means of family planning. Epidemiologic or descriptive research to assess the incidence, extent or consequences of abortions is not precluded.

(5) Requirement for Sub-agreements

The Grantee shall insert these requirements in all sub-agreements involving family planning or population activities which will be supported in whole or in part with USAID funds under the Agreement.

Section F.3. Prohibition on Assistance to Drug Traffickers.

(a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(b) USAID reserves the right to terminate assistance to, or take other appropriate measures with respect to, any participant approved by USAID who is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(c) For any loan over \$1000 made under this Agreement, the Grantee shall insert a clause in the loan agreement stating that the loan is subject to immediate cancellation, acceleration, recall or refund by the Grantee if the borrower or a key individual of a borrower is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(d) Upon notice by USAID of a determination under paragraph (c) of this Section and at USAID's option, the Grantee agrees to immediately cancel, accelerate or recall the loan, including refund in full of the outstanding balance. USAID reserves the right to have the loan refund returned to USAID.

(e) The Grantee agrees not to disburse, or sign documents committing the Grantee to disburse, funds to a sub-recipient designated by USAID ("Designated Sub-recipient") until advised by USAID that: (1) any United States Government review of the Designated Sub-recipient and its key individuals has been completed; (2) any related certifications have been obtained; and (3) the assistance to the Designated Sub-recipient has been approved.

(f) The Grantee shall insert the following clause, or its substance, in its agreement with any Designated Sub-recipient: "The Grantee reserves the right to terminate this Agreement or take other appropriate measures if the [Sub-recipient] or a key individual of the [Sub-recipient] is found to have been convicted of a narcotic offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140."

Section F.4. Prohibited Uses.

(a) Both the Grantee and USAID are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of USAID and the Grantee to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the Grantee undertakes to use reasonable efforts to ensure that none of the Grant is used to provide support to individuals or entities associated with terrorism.

(b) In addition, the Grant may not be used to finance the purchase of services, commodities or equipment for the use or benefit of any military, paramilitary, police, prison or law enforcement force or for any military or paramilitary purpose or (y) from any country identified as a foreign policy restricted country in Section 228.03(b) of Part 228, Rules on Source, Origin and Nationality for Commodities and Services Financed by USAID, as amended by USAID from time to time. The Grant may not be used to finance the purchase of surveillance equipment, abortion equipment (as further described above), luxury goods and gambling equipment, or weather modification equipment; nor may the Grant be used for (a) any activity that involves investment promotion, unless specifically authorized by USAID as described above, or which would contribute to a violation of internationally recognized rights of workers as described below, or (b) for purposes other than those authorized pursuant to relevant Program Implementation Letters.

Section F.5. Workers' Rights.

(a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify the USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.6. Prohibition on Funding Foreign Government Delegations to International Conferences. Except as USAID may otherwise agree in writing, funds obligated under this Agreement which are provided by USAID from the Foreign Operations, Export Financing, and Related Programs Appropriations Act for any U.S. Government fiscal year after fiscal year 1999 may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international

conference sponsored by a public international organization. This restriction may be further described by USAID in Program Implementation Letters.

Section F.7. Prohibition on the Promotion or Advocacy of the Legalization or Practice of Prostitution or Sex Trafficking.

(a) The U.S. Government is opposed to prostitution and related activities, which are inherently harmful and dehumanizing, and contribute to the phenomenon of trafficking in persons. None of the funds made available under the Agreement may be used to promote or advocate the legalization or practice of prostitution or sex trafficking. Nothing in the preceding sentence shall be construed to preclude the provision to individuals of palliative care, treatment, or post-exposure pharmaceutical prophylaxis, and necessary pharmaceuticals and commodities, including test kits, condoms, and when proven effective, microbicides.

(b) For purposes of this provision, "sex trafficking" means the recruitment, harboring, transportation, provision, or obtaining of a person for the purpose of a commercial sex act.

(c) The Grantee shall insert this provision in all sub-agreements involving HIV/AIDS activities funded by USAID in whole or in part.

(d) This provision includes express terms and conditions of the Agreement and any violation of it shall be grounds for unilateral termination of the Agreement by USAID prior to the end of its term.

Section F.8. Crisis Modifier USAID and the Grantee recognize that humanitarian crises may arise from time to time in Pakistan. The Parties recognize that, in order to allow for greater flexibility after the occurrence of a humanitarian crisis, the activities described in this Agreement may need to be refocused or reprogrammed to account for changed circumstances that could not have been anticipated prior to the crisis event. The Grantee agrees that if USAID approaches the Grantee subsequent to such a crisis event and requests modifications to this Agreement related to the effects of the crisis, the Grantee shall work with USAID to expeditiously approve such modifications. The Grantee understands that all funds under this Grant must continue to be used for purposes for which they were appropriated by the United States Congress, and that approval for certain modifications to this Agreement related to the crisis event may require further approval from USAID/Washington and notification to the United States Congress prior to implementation.



U. S. Department of State

CERTIFICATION OF TRUE COPY

VENUE

Islamic Republic of Pakistan

(Country)

City of Islamabad

(State, Province, etc.)

Embassy of the

(City)

United States of America

(Name of Consular Post)

SS:

I certify that the annexed document is a true and faithful copy of the original, and that it has been carefully examined by me, compared with the said original, and found to agree with it word for word and figure for figure.

(Signature of Consular Officer)

Alamanda L. Gribbin

(Typed Name of Consular Officer)

Vice Consul

(Title of Consular Officer)

10/08/2010

Date (mm-dd-yyyy)

(SEAL)